UK's black economy
Targeting the moonlighters

French sell-offs
How to cope with a marketing nightmare
Page 7

Microchip battles
Will IBM's clones lead to war with Intel?
Page 13

Ukrainian industry
From swords to ploughshares
Page 10

FINANCIAL TIMES

THURSDAY AUGUST 26 1993 D8523A

US bars high-tech sales to China and Pakistan

The US imposed economic sanctions on China and Pakistan, claiming they dealt in sensitive missile technology in violation of international arms controls. Washington will bar sales to both countries for two years of sensitive technology – with both military and civilian applications – at an expected cost to US companies of $400m-$500m in lost revenue. Page 12

UN aid trucks arrive in Mostar: A 27-truck United Nations aid convoy completed its journey to the besieged Bosnian city of Mostar after Croat demonstrators stopped blocking the route. Page 12

BAe-Taiwan deal close: A deal looked likely between Taiwanese officials and British Aerospace to save a proposed £250m ($372m) regional jets joint venture. Page 12

News Corporation, media and entertainment group headed by Rupert Murdoch, reported an 84.5 per cent earnings rise to A$978.9m ($652m), reflecting improved performance from nearly all divisions, notably newspapers worldwide and US television interests. Page 13; Lex, Page 12; News International results, Page 18; John Fairfax results, Page 15

Keating in budget tax rise talks

The Australian government of prime minister Paul Keating, left, facing fierce opposition to tax increases, agreed to negotiate with smaller political parties which have threatened to block the budget in the upper house of parliament. The row has opened the possibility of fresh elections only five months after the administration was voted in. Page 4

MB-Caradon, building products and security printing group, is to buy most of the Pillar industrial businesses of RTZ, the mining company, for about £800m ($1.2bn). Page 14; Lex, Page 12; Building a new MB-Caradon, Page 17; CarnaudMetalbox sale hits half-year outcome, Page 17

Babangida set to go today: General Ibrahim Babangida, Nigeria's military ruler, was due to quit today after abandoning plans to head an "interim government". Page 4

Japan reform panel appointment: Gaishi Hiraiwa, chairman of the Keidanren, Japan's top business grouping, was appointed head of a panel to identify structural economic reforms. Page 4; Pain of a strong yen, Page 4

Renault and Volvo near merger deal: Progress on merger plans between Renault, French car and truck manufacturer, and Volvo, its Swedish partner, could result in a deal before the Frankfurt motor show on September 7. Page 13

GPA Group advisers expect the aircraft leasing company to sign a rescue deal within days with GE Capital, financial services arm of General Electric of the US. Page 13

Nicaragua hostages' hunger-strike threat: Hostages held by rightwing guerrillas in northern Nicaragua threatened to go on hunger strike unless they were freed. This followed the release of 21 other hostages earlier in the day.

Toyota Motor, Japan's largest carmaker, announced a 24 per cent drop in pre-tax profits to Y286.4bn ($2.76bn) for the year ended in June, and said the yen's appreciation could threaten its policy of lifetime employment. Page 15

Cathay profits sink: A strike at Cathay Pacific Airways earlier this year helped depress the Hong Kong carrier's profits for the first half of 1993. They sank 46 per cent to HK$681m (US$88m). Page 15

China anti-corruption drive: Chinese Communist party officials are being banned from trading on the stock market and having private business interests in a drive to root out corruption. Page 4

Saudi policy rethink: Saudi Arabia is to review its petrochemicals policy after the cancellation of an $800m petrol additives project involving Mobil of the US. Page 5

Airport security chief fired: Heinrich Weiss, security chief at Germany's second largest airport, Munich, was dismissed after reports that 2,000 security passes had been lost or issued to unauthorised persons.

■ STOCK MARKET INDICES		
FT-SE 100	3079.2	(+29.9)
Yield	3.73	
FT-SE Eurotrack 100	1310.93	(+14.11)
FT-A All-Share	1527.58	(+0.9%)
Nikkei	20,521.45	(+89.61)
New York: lunchtime		
Dow Jones Ind Ave	3657.68	(+18.72)
S&P Composite	461.82	(+2.05)
■ US LUNCHTIME RATES		
Federal Funds:	3%	
3-mo Treas Bills: Yld	3.034%	
Long Bond	$100\frac{3}{32}$	
Yield	6.19%	
■ LONDON MONEY		
3-mo Interbank	$5\frac{7}{8}$%	($5\frac{7}{8}$%)
Liffe long gilt future:	Sep $112\frac{3}{32}$	(Sep $112\frac{13}{32}$)
■ NORTH SEA OIL (Argus)		
Brent 15-day Oct	$17.00	(17.24)
■ Gold		
New York Comex Dec	$375.5	(374.9)
London	$371.25	(373.45)

■ STERLING		
New York lunchtime:		
$	1.483	
London:		
$	1.4825	(1.4965)
DM	2.5025	(2.5175)
FFr	8.6875	(8.7625)
SFr	2.2	(2.2125)
Y	155.5	(155.25)
£ Index	80.2	(80.7)
■ DOLLAR		
New York lunchtime:		
DM	1.68725	
FFr	5.8545	
SFr	1.483	
Y	104.935	
London:		
DM	1.688	(1.6815)
FFr	5.86	(5.855)
SFr	1.4845	(1.4785)
Y	104.9	(103.7)
$ Index	65.8	(65.4)
Tokyo close Y 104.55		

Austria	Sch30	Germany	DM3.30	Malta	Lm0.60	S.Arabia	SR11
Bahrain	Din1.250	Greece	Dr300	Morocco	MDh13	Singapore	S$4.10
Belgium	BFr65	Hungary	Ft185	Neth	Fl 3.75	Slovak Rp	KSL45
Bulgaria	Lv25.00	Iceland	IKr215	Nigeria	Naira45	Slovenia	SLT220
Croatia	HRD5700	India	Rs40	Norway	NKr18.00	South Africa	R12.00
Cyprus	C£1.00	Israel	Shk5.90	Oman	OR1.50	Spain	Pta210
Czech Rp	CZK45	Italy	L2700	Pakistan	Rs35	Sweden	SKr15
Denmark	DKr15	Jordan	JD1.50	Philippines	Pso45	Switz	SFr3.20
Egypt	E£4.50	Kuwait	Fils600	Poland	Zl 22,000	Syria	S£50.00
Finland	FM12	Lebanon	US$1.25	Portugal	Esc215	Turkey	L8000
France	FFr9.00	Lux	LFr65	Qatar	QR12.00	UAE	Dh11.00

France signals acceptance of wider ERM bands

By John Ridding in Paris, Quentin Peel in Bonn and David Gardner in Brussels

THE FRENCH government signalled a more relaxed attitude towards the Exchange Rate Mechanism yesterday by indicating that France was in no hurry to return to the narrow bands which led to last month's currency crisis.

Mr Edouard Balladur, the French prime minister, made his conciliatory remarks on the eve of today's Franco-German summit in Bonn.

The meeting between the leaders of France and Germany is aimed at finding common ground on European economic and monetary union and resolving differences on trade and other bilateral issues.

Pressure on Mr Balladur and Chancellor Helmut Kohl of Germany to reach agreement increased when Mr Karel Van Miert, vice-president of the European Commission warned that achievements like the single European market could come apart if the momentum towards economic and monetary union (Emu) was not regained.

"The Community is living dangerously," the Belgian commissioner said yesterday, "and we could say that the Community itself is floating," along with its currencies.

A successful meeting today between Mr Balladur and Chancellor Kohl is vital if the European Community is to emerge from its current crisis in reasonable shape.

Mr Balladur said yesterday that France was determined to proceed with Emu. He added that France should avoid letting the franc reach its new wider limit, agreed as part of the ERM reforms this month.

Mr Balladur said France was determined that the second phase of European economic and monetary union should come into effect on schedule next year and that he will discuss with Mr Kohl how to achieve economic convergence.

His statement on ERM fluctuation bands was interpreted by economists as a more pragmatic response to the European currency crisis which broke the franc's close link with the D-Mark and widened bands from 2.25 per cent to 15 per cent.

The expectation in Bonn is that the two heads of government will seek to give a clear statement of their determination to co-operate, without any very precise ideas on how to resolve their outstanding problems – including the future of the EMS and Gatt.

Proposals on how to maintain the momentum towards Emu, in spite of the recent currency upheaval, are still being discussed at the level of senior officials.

Although there is a desire to promise closer co-operation on economic and budgetary policies, both sides are constrained by their domestic political realities. Mr Kohl is locked into a strict budget savings programme which does not allow for an early relaxation.

But Mr Karl Lamers, foreign policy spokesman of Mr Kohl's Christian Democratic Union, called on both sides to co-ordinate their economic policies.

Income tax cuts, Page 2
Kohl help on Gatt, Page 5
Editorial comment, Page 11

Inflation figures lift German rate cut hopes

Shares surge in Frankfurt ahead of council meeting

By Christopher Parkes in Frankfurt

FRESH SIGNS that inflation in western Germany could be turning down emerged yesterday, further fuelling speculation that German interest rates will be cut today.

Share prices surged in Frankfurt after news that annual inflation in three of western Germany's largest states had edged lower.

The mood in stock markets was also helped by a new record on Wall Street and by suggestions that the German automotive industry is showing signs of recovery. Frankfurt's blue chip DAX index closed more than 20 points higher at 1,917.78.

The state figures indicate that inflation could finally be coming down after being stuck at around 4.2 per cent to 4.3 per cent for most of this year.

A provisional annualised inflation rate for the whole of western Germany, based on the state-by-state figures, is expected before the end of the week.

Market analysts suggest that a flattening of price rises could bring the rate down to 4.1 per cent in August from 4.3 per cent in July. Inflation has been widely forecast to slide after the summer break, possibly dipping as low as 3.5 per cent by the end of the year, before rising again early next year.

Some market analysts said the signs pointed to a cut in the key discount rate at the Bundesbank's policy-making meeting today. Earlier this week, economists at Germany's leading 12 banks said they, too, expected a rate reduction. However, the central bank will also consider the latent inflationary pressure in the recent excessive growth of money supply. The Bundesbank has warned that it will cut rates only when the time is right.

Money supply figures published last week showed broad money, or M3, climbing at 7.5 per cent in July on a seasonally adjusted, annualised basis – far above the 4.5 per cent to 6.5 per cent target range. Mr Hans Tietmeyer, deputy president and president-elect of the Bundes-

Continued on Page 12

The Bundesbank and its mimics, Page 2
German car output, Page 2
Government bonds, Section II
Currencies, Section II

Bosnian Moslems demonstrated near the parliament building yesterday as Bosnia pleaded in The Hague for the World Court's protection, accusing Serbia and its ally Montenegro of genocide, rape and torture UN convoy gets through to besieged Mostar, Page 12 Reuter

Perot campaign to target trade deal

By Nancy Dunne in Washington

MR ROSS PEROT, the populist billionaire, is to launch a vigorous national campaign against the North American Free Trade Agreement which threatens to complicate the Clinton Administration's efforts to push the deal through a sceptical Congress.

Mr Perot is launching a book – *Save Your Job, Save Our Country: Why Nafta Must be Stopped – Now!* – on September 6, Labour Day. He intends to push the book and fan fears of unemployment as a result of Nafta in a string of speeches and television appearances over the next few weeks.

The political elite may scoff at Mr Perot, but the 150-page book, selling for an affordable $6.95, is a well-organised, easy-to-read polemic against the agreement, between the US, Canada and Mexico. The Clinton Administration has as yet given no sign that it can come up with a comparable response.

Speaking in simple terms, which elude trade negotiators, Mr Perot says that the US has been "out-traded again." Under the terms of the deal, Mexico's rickety, unsafe trucks will be able to move into the US before American trucks can carry goods in Mexico, he says. Mexican investors will be able to own entire US farms, forests and real estate, while US investors will be restricted to owning no more than 49 per cent of any enterprise that owns agricultural or forest land in Mexico. The same applies to investment in construction.

Mr Perot highlights the "low wages and tame unions" which attract US executives to move production over the border. Mexico keeps its wages low and its health and safety rule enforcement lax, Mr Perot says. This produces "a giant sucking sound", the sound of jobs going south of the border.

US negotiators "gave away" jobs by allowing Mexico to keep in place most of its motor industry investment and production restrictions for another 10 years. Mexico gets "unrestricted access" to US and Canadian feed grains (which both countries are competing to sell) to develop massive beef operations which will undercut the US and Canadian industries, he claims.

All this and much, much more was agreed by negotiators whose motives Mr Perot finds highly suspect. "Mexico's chief legal adviser . . . was a former undersecretary of trade at the US Commerce Department," he says. "The US team on the other hand was composed of bureaucrats."

Balladur-Kohl summit, Page 5

Brussels threat to airport ground-handling monopolies

By Andrew Hill in Brussels

THE European Commission's competition commissioner yesterday threatened to use controversial legal powers to break open monopolies in airport ground-handling services.

Mr Karel Van Miert said a special directive aimed at deregulating services such as passenger check-in, baggage handling and refuelling would be the "best general solution" to the problem of monopolies at some EC airports.

He is considering the use of Article 90 of the EC treaty, which allows the Commission to impose liberalisation on intransigent member states.

Seven EC airlines have complained to the Commission about alleged abuse of ground-handling monopolies at Milan, Frankfurt and across Spain. KLM, the Dutch carrier spearheading the complaint, claims that charges for services at these airports are between 30 and 50 per cent higher than at airports offering a choice of services.

Mr Van Miert said yesterday that the Commission had also received formal complaints from airlines and private ground-handling companies concerning other German and Portuguese airports. Informal complaints have also been lodged against airports which he would not name.

The commissioner said all the formal complaints would be investigated. But he added that competition officials were already working on a draft directive, which could be imposed on EC governments using Article 90, or passed under the usual procedure, which requires member states' approval.

Mr Van Miert's predecessor, Sir Leon Brittan, frequently threatened to use Article 90 directives to break open energy, postal and telecoms monopolies. This is the first time that Mr Van Miert has openly backed the use of Article 90 in a specific sector.

But he stressed that fellow commissioners, member states, the European Parliament and all the interested parties would have to be consulted.

Some monopoly airports claim safety will be compromised if too many rival companies are allowed to compete for ground-handling contracts.

As transport commissioner until January, Mr Van Miert pushed through the latest package of airline liberalisation. He said that a situation where competition in ground-handling services was restricted would become "more and more intolerable" as the rest of the civil aviation sector was liberalised.

The Spanish state-owned airline Iberia yesterday denied claims by other European airlines that it had abused its dominance of Spanish ground-handling services by overcharging foreign airlines.

● Prospects for a voluntary cut in EC-wide steel capacity have improved over the last month, Mr Van Miert indicated yesterday. But he said the Italian and Spanish industries had not yet met strict demands for cuts in state aid or capacity.

Mr Van Miert said there had been some progress in recent discussions with Italian officials, and with the new Spanish industry minister. Rome submitted outline plans for the future of Ilva, the state-owned producer, last week and has promised to supply more details next month.

CONTENTS

News
European News ... 2
International News ... 4
American News ... 3
World Trade News ... 5
UK News ... 6
People ... 8
Weather ... 12
Lex ... 12
Features
Leader Page ... 11
Letters ... 10
Management ... 7
Observer ... 11
Technology ... 8
Arts ... 9
TV and Radio ... 9
Crossword ... 21
Companies
UK ... 17-19
Intl. Cap Mkts ... 16
Intl. Companies ... 14,15
Markets
Commodities ... 20
FT Actuaries ... 21
FT World Actuaries ... 32
Foreign Exchanges ... 28
Gold Markets ... 20
Equity Options ... 16
Int. Bond Service ... 15
Managed Funds ... 24-28
Money Markets ... 28
Recent Issues ... 16
Share Information ... 22,23,32
Traditional Options ... 16
London SE ... 21
Wall St ... 29-32
Bourses ... 29,32

German car output on road to recovery

By Christopher Parkes in Frankfurt

THE German motor industry is starting to recover from its year-long slump, despite a 32 per cent fall in output during July, the VDA industry association said yesterday.

The improvement will be slow, and hampered by increases in German petrol taxes, but car production could increase next year by as much as 6 per cent, according to Mr Achim Diekmann, association director.

Domestic deliveries could rise by around 100,000 during 1994 after tumbling an estimated 800,000 this year to around 3.1m, while foreign demand, especially in the UK, might increase exports by 200,000 from this year's expected level of 2.2m.

Ms Erika Emmerich, association president, said the fall in new orders had stopped earlier this year. A modest increase in demand detected since then should start showing up in increased deliveries within six months.

However, in the medium term the association expects global demand for cars to increase by an average of only 2 per cent a year. Its annual report, published yesterday, said sales in western Europe, the US and Japan would grow only 1.5 per cent annually for the rest of the century.

Meanwhile, the German industry was pressing ahead with restructuring. "Sleeves are being rolled up everywhere, costs are being reduced and the pace of innovation speeded up," Ms Emmerich said.

Since July 1991 the industry had shed 100,000 jobs and its current workforce of 687,000 was heading down towards 600,000. Wage costs account for around 70 per cent of the total production cost of a German car.

Vehicle makers and suppliers were determined to reduce costs by between 20-30 per cent in the next two years, she added.

Last month's 32 per cent production slump, exaggerated by the traditional holiday season shutdowns, brought the cumulative decline in output for the first seven months of the year to 26 per cent, the association said.

For the full year it expected a 20 per cent drop in production of cars, trucks and buses to just over 4m, compared with 5.2m in 1992. New car registrations in Germany for 1993 are likely to fall 21 per cent to 3.1m, while commercial vehicle registrations will drop almost 8 per cent to 250,000 units.

VW may sacrifice López

By Christopher Parkes

MR Klaus Liesen, chairman of Volkswagen's supervisory board, has for the first time raised doubts about the group's ability to hold on to its controversial production director, Mr José Ignacio López de Arriortúa.

In an interview to be published today, he hinted that the company could be forced to sacrifice Mr López.

It was legitimate to ask how long a company could put up with a continuous barrage of unconfirmed suspicions, he told Die Zeit, the weekly newspaper.

Asked if VW was prepared to tolerate a long legal battle with GM and its German subsidiary, Adam Opel, Mr Liesen said the supervisory board, which has hiring and firing powers over executive directors, had to retain its freedom of action.

This, he said, meant "that within the limits of our authority we apply those measures which are in the interests of the company".

Mr Liesen repeated that he stood behind Mr López, under investigation for alleged industrial espionage and theft of secrets from Adam Opel. Internal VW investigations contradicted media claims that Opel data had been stored in VW computers.

He told Die Zeit that the supervisory board's vote of confidence in Mr López and the former GM employees who came to VW with him was based on their statements, some in the form of sworn testimony.

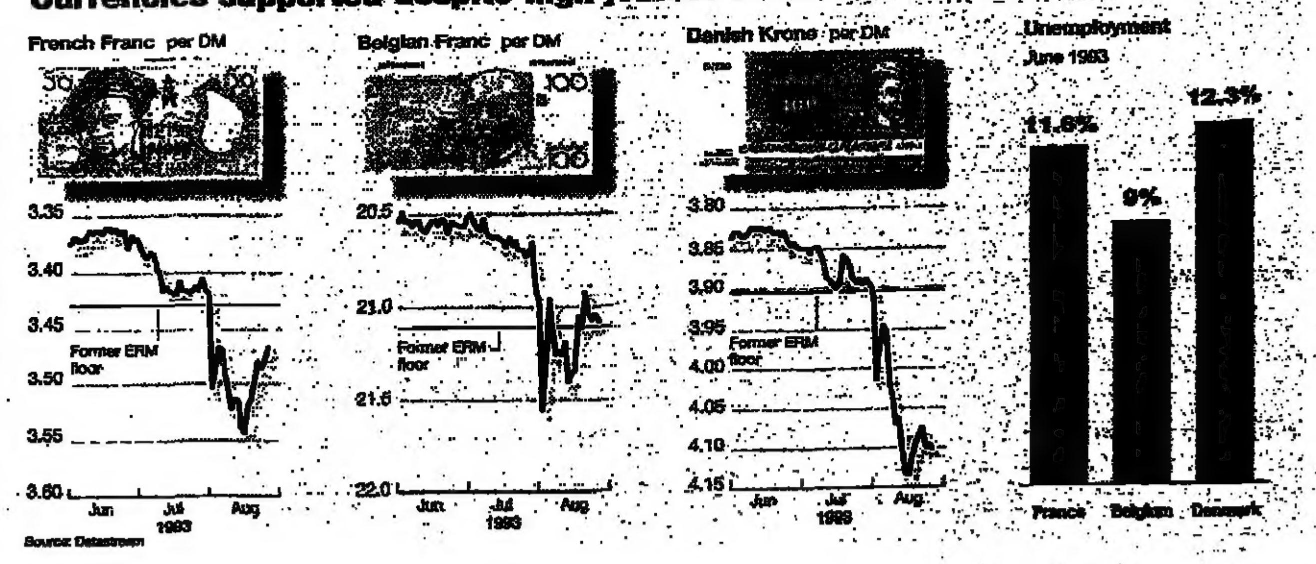
"Can anyone expect a company to make personnel decisions damaging to itself although allegations against it cannot be proved?" he asked.

The loss of the Spanish cost-cutter, who left GM last March, would be a handicap for VW, particularly in its efforts to restructure production, he said. Mr Liesen accepted that no manager was irreplaceable, although he stressed he was not suggesting resignation.

The shift in Mr Liesen's position – he has hitherto been one of Mr López's stoutest defenders – suggests a reaction to the widespread conviction in the German business community that Mr López must go if damage to VW's reputation is to be contained and its prospects of recovery protected.

Car parts results, Page 14

Currencies supported despite high jobless rates



Source: Datastream

The Bundesbank and its mimics

France, Denmark and Belgium are shadowing German monetary policy. Can they keep it up, asks James Blitz

THE exchange rate mechanism has been relaxed and most of the system's currencies can fluctuate in much wider bands. Now Europe's bankers are asking the next logical question: should we care any longer what the Bundesbank does to German interest rates?

In recent years European governments have anxiously awaited each fortnightly meeting of the Bundesbank's policy-making council. Many of the alterations in German interest rates announced at the regular Thursday session have been followed by changes in domestic monetary policy to ensure that a country's currency did not fall close to its ERM floor against the D-Mark.

But the recent widening of the ERM fluctuation bands allows currencies to drift over wide margins. And, in theory, ERM member states need no longer ensure that their short-term interest rates are above Germany's.

The reality is different, however. The Bundesbank's decisions will affect European monetary policy. The results of today's meeting are keenly awaited across Europe, with strong expectations that the discount rate will be cut by at least half a percentage point.

Bundesbank policy matters on a European level because France, Denmark and Belgium are determined to keep their currencies as close to their former ERM bands as possible.

The French government is politically committed to a *franc fort* policy and might be embarrassed by a clear devaluation of the franc; Belgium and Denmark fear that a decoupling of monetary policy from Germany would lift the veil on fundamental economic problems that could be ignored when the European monetary union project was at its strongest.

None of these countries has repeated the UK government's policy of sharply cutting interest rates in the weeks after sterling quit the ERM last September.

France has trimmed its overnight lending rate five times in the last two weeks but has not cut official interest rates. Earlier this week Denmark cut the cost of short lending to 10 per cent, a level that may be too high given its heavy unemployment.

Belgium has been toughest of all, leaving its main official interest rate at 9.5 per cent, and reaffirming yesterday that it will adhere strictly to this policy.

However, economists do not believe that these countries can maintain strong currencies through high interest rates for much longer.

"These currencies came under pressure because high interest rates were seen as incompatible with high unemployment," said Mr Paul Chertkow, global currency strategist at UBS in London. "If their rates are not brought down, the currencies will come under pressure anyway."

This is a strongly-held view in currency markets and has led economists to put forward two main scenarios for European interest rates between now and the end of the year:

● The Bundesbank could cut interest rates more quickly than is currently expected – allowing other countries to cut rates without an adverse effect on their currencies.

Yesterday's inflation figure for the German state of North Rhine Westphalia, at an annualised 4 per cent, was better than expected – and this may encourage the central bank to ease policy.

● The more likely scenario is that the Bundesbank will keep policy tight, amid fears that money supply growth has shot well beyond its target range of 4.5 per cent to 6.5 per cent.

France, Denmark and Belgium could mimic this policy for a while to keep their currencies strong. But they would be forced to cut interest rates as dealers took the view that the policy was unsustainable. Fixed-income investors, who bought long-dated government bonds of these countries in anticipation of rate cuts, might threaten to sell them and take profits if short-term rates are not cut quickly.

Belgium defends monetary policy

By Andrew Hill in Brussels

BELGIUM'S central bank yesterday leapt to the defence of its strict *franc fort* policy after a group of Flemish economists called for monetary policy to be relaxed.

The 14 economists from the Catholic University of Leuven said that continuing to tie the Belgian franc to the D-Mark – a policy pursued since 1990 – would damage industry and employment prospects and was no longer an acceptable option.

But the central bank said yesterday that Belgium was not following its strict monetary policy for the sake of principle but for "purely rational motives, given the [economic] context in Belgium".

Belgium has stuck to the policy of shadowing the D-Mark, even though recent changes to the beleaguered European exchange rate mechanism allow currencies a much wider margin for fluctuation.

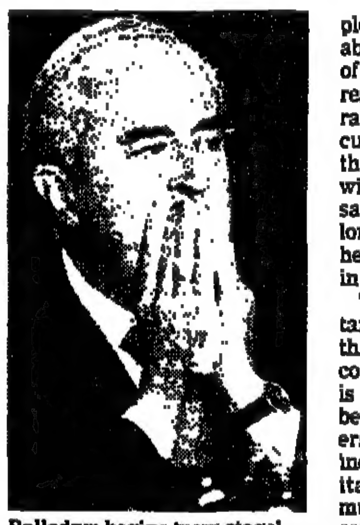
In their "manifesto", published on Tuesday, the economists argue that the policy is not tailored to the specific Belgian issues of high unemployment and low inflation. They also call for a freeze on wage indexation and for structural reforms in employment and social security.

Mr Karel Van Miert, Belgian vice-president of the European Commission, said yesterday that the economists' manifesto was an indication of the way in which EC policy could begin to fragment if the drive for economic and monetary union was not renewed. He refused to comment on the substance of the text. The bank's statement supporting existing policy helped to support the Belgian franc yesterday at BFr21.125 to the D-Mark against Tuesday's close of BFr21.10.

Balladur pledges income tax cuts to help economy

By John Ridding in Paris

MR Edouard Balladur, the French prime minister, yesterday announced a series of tax initiatives to increase consumer demand and help revive France's recession-hit economy.



Balladur: begins 'new stage'

Outlining what he described as a "new stage" in the action of his government, Mr Balladur said that income taxes would be cut by about FFr17bn (£1.9bn) following a reform of the fiscal system in the budget for 1994. Tax breaks would also be introduced to encourage consumption and housing expenditure, he said.

But despite these fiscal measures, Mr Balladur said he remained committed to the government's objectives of financial discipline and non-inflationary growth.

He said that the target for the budget deficit remained at FFr317bn this year and FFr300bn in 1994, and that this would be achieved by limiting the increase in state expenditure to just over 1 per cent next year.

The tax measure will be combined with a five-year plan to reduce unemployment. The plan, which includes the transfer of social security payments for the lowest-paid workers from companies to the state, will be discussed with trade unions next month and be submitted to parliament in October.

Economists said that the various measures would have little impact on growth and unemployment in the short term, and that the French economy needed lower borrowing costs to help stimulate the economy. Gross domestic product is forecast by most economist to contract by about 1.5 per cent this year and unemployment is expected to rise to about 12.5 per cent by the end of December. Mr Balladur has resisted a rapid cut in interest rates following the European currency crisis which broke the French franc's close link with the D-Mark. He expressed satisfaction with France's long-term interest rates, which he said were among the lowest in Europe.

The reduction of income taxes, which will be achieved through a reform of France's complex system of tax bands, is expected to be of particular benefit to average wage earners. The other tax measures include tax exemptions for capital gains made on selling mutual fund assets if the proceeds are used to buy houses.

The time required to withdraw savings from tax-exempt savings funds may also be reduced in an attempt to stimulate depressed consumer spending, Mr Balladur said.

● The French are in two minds about their prime minister, Mr Edouard Balladur, Reuter reports from Paris.

A poll in the the weekly l'Express shows his support up 10 points to 64 per cent. Another poll in the weekly l'Evenement du Jeudi showed a nine-point fall to 40 per cent in approval of his economic policies.

Italians' fast track to jobs

By Haig Simonian in Milan

THE Italian government is considering accelerating work on the country's ambitious new high-speed train project to stimulate the faltering economy and create up to 50,000 new jobs.

The proposal to begin construction by the end of this year was raised at a meeting in Rome yesterday between Mr Raffaele Costa, the transport minister, and representatives of the principal companies involved in the L28,000bn ($17.5bn) plan to link Italy's main cities with new super-fast trains.

The proposals come just before today's planned meeting between Mr Carlo Azeglio Ciampi, the prime minister, and senior ministers to consider the increasingly gloomy economic outlook when most factories re-open after the summer holiday break next week. The economy has been hit by a steep fall in output and demand this year because of the recession.

Contrary to expectations, higher exports thanks to the lower lira have failed to offset the impact of the domestic slowdown. Some economists expect Italy's unemployment rate to exceed 12 per cent by December, as more companies, particularly in manufacturing, cut their workforces.

Italy now has almost 3m people either out of work or on government-subsidised redundancy schemes.

Unemployment levels range from almost 8 per cent in the north and centre of Italy to more than 21 per cent in the economically-depressed south.

In the first half of this year, the number of idle hours spent by temporarily laid-off workers in special short-term redundancy schemes soared by 26 per cent. The downturn has triggered increasingly pessimistic forecasts for unemployment and warnings that rising jobless queues could affect public order.

Mr Nicola Mancino, the interior minister, warns of rising social tensions in cities such as Genoa, Naples, Rome, Milan and Reggio Calabria, where further job losses loom.

However, the Confindustria employers' association yesterday sought to play down gloomy forecasts that a further 750,000 jobs are at risk.

According to Mr Stefano Micossi, Confindustria's head of research, the increase in unemployment for the whole of this year is unlikely to exceed 200,000.

Russian leader's gesture of reconciliation

Reuter

Russia's president lays a wreath at the monument to 20,000 Poles murdered by Soviet secret police

Yeltsin seeks to heal Katyn wounds

By Christopher Bobinski in Warsaw

PRESIDENT Boris Yeltsin yesterday became the first Russian leader to lay a wreath at a monument to 20,000 Polish officers and civilians murdered in 1940 by the Soviet secret police.

Relatives of the victims praised Mr Yeltsin for the gesture intended to heal wounds over the massacre at Katyn forest near Smolensk. Until 1990 Moscow blamed their deaths on the Germans. Polish officers and civilians, interned in 1939 in the Soviet Union, were murdered on Stalin's orders. The site of the monument in a wooded Warsaw cemetery was long regarded by Poles as the symbolic grave of the men murdered at Katyn and elsewhere.

However, the relatives urged Russia to release all documents about the crime and to build a cemetery for the victims.

Earlier Mr Yeltsin told Mr Lech Walesa, the Polish president, that the Russians would bring forward the withdrawal of 1,000 troops stationed in Poland by three months to the end of October.

The two leaders also signed a trade agreement regulating customs procedures and committing both countries to Gatt rules. Last year Poland had a $640m trade deficit with Russia. The first half of this year saw Poland's deficit narrow to $94m.

The talks have, however, left unresolved the question of debts expressed both in the now defunct "convertible" rouble and US dollars.

Romania tiptoes along reform path

Privatisation has got off to a slow start, write Robert Corzine and Virginia Marsh

ROMANIA'S official privatisation programme has only just completed its pilot phase two years after enactment of the privatisation law. State companies which dominate the economy and which have accumulated an inter-enterprise debt of about 1,900bn Lei ($2.3bn), equivalent to about 20 per cent of GDP, remain untouched.

The fact that many large state enterprises are resisting reform has raised suspicions they are doing so with the sympathy, if not the support, of senior members of the government.

The lack of political will to implement the privatisation programme and reform the state sector is a reason the government has been unable to sign a 1993 stand-by agreement with the International Monetary Fund. A successful outcome to the talks would have unlocked $3bn in aid pledged by G24 countries.

Formal barriers to speedier structural reform and privatisation, such as the lack of a bankruptcy law and capital markets, still exist. But Romanian officials involved in the reform process cite a variety of informal barriers.

Until recently, for example, the five directors of the State Ownership Fund (Sof), the body charged with valuing, restructuring and selling 6,200 companies by the year 2000, had to make do with sharing a single room.

The Sof still has a staff of less than 100 operating out of a dingy Bucharest office building, having been rebuffed in its attempts to find more suitable accommodation in ministry premises.

The delays to the official privatisation programme have not, however, prevented state property from finding its way into private hands. Directors and officials of state enterprises are barred from buying assets of state companies which can be sold at official auctions.

But "spontaneous" privatisations, whereby state assets are sold cheaply to private companies in which officials or their relations have an interest, is common, according to reformers.

Mr Paul Miercan, general manager of the Sof, conceded that it was "very difficult" to stop the "moral degradation" taking place during Romania's patchy transition to a market economy. The scale of the problem is impossible to quantify, but he acknowledged that out of 72 companies sold by the Fund by mid-July, there were "upwards of 20 cases" where irregularities were confirmed.

Mr Aurelian Dochia, president of the National Agency for Privatisation, says the phenomenon of "spontaneous" privatisation is "one of the most important arguments" in favour of moving as quickly as possible in selling off the state companies. "The substance of the state sector is being sucked into the private sector," he says, "with the possibility that only empty shells will remain."

Romania's fledgling class of private entrepreneurs complain that government policies encourage the inefficiency of the state sector at the expense of the country's overall economic health.

Private companies say they cannot raise capital for new projects but that state banks, which handle 90 per cent of loans, are still lending to heavily indebted firms.

With little pressure on state company managers to be profitable, they have not felt compelled to contract out work to new private businesses or to lease surplus production facilities or property.

But statistical and anecdotal evidence suggests all is not gloomy for private businesses. Mr Mike Hicks, the Bucharest representative of the European Bank for Reconstruction and Development, believes the momentum towards a market economy is unstoppable.

"Two years ago we were desperate to get involved with private sector projects, now we can't keep up with those being put forward."

Official figures to the end of June recorded 266,061 companies with private capital and 207,846 private entrepreneurs, a common structure for farmers who have benefited from the return of collectivised land.

The private sector accounted for 40 per cent of retail sales in the first half of the year compared with 7.1 per cent in the same period in 1991. It also accounted for 44 per cent of services compared with 6.5 per cent in 1991.

While statistics indicate that GDP in 1992 was less than $600 per head, officials acknowledge that there is a large black economy. The central bank believes the black market is driven by some $1bn in hard currency cash equivalent to 25-30 per cent of GDP. "There is public discontent that some people are getting rich unfairly through corruption and deceit," says Dr Petre Datculescu of Irsop, a Bucharest polling organisation.

Yet Irsop surveys also show consistent public support for privatisation, and an acceptance of the social inequality which comes with a market economy, though about 25 per cent oppose market reforms.

Mr Misu Negritoiu, deputy prime minister in charge of reform, believes some opposition comes from a lack of transparency and valuation problems in the privatisation process. "Once we open mass privatisation and establish a transparent procedure, maybe the attitude of the population will change," he says.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 5964481, Telex 416193. Represented by Edward Hugo, Managing Director. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.

FRANCE
Publishing Director: J. Rolley, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

DENMARK
Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35.

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US durable goods orders fall sharply

A BIG drop in demand for new cars and aircraft pulled orders for durable goods down steeply in July, the Commerce Department said yesterday, Reuter reports from Washington.

Last month's 3.8 per cent fall in orders followed a revised gain of 4.5 per cent in June that previously was reported as a 3.8 per cent increase. It was the fourth monthly decline in the past five months and much sharper than Wall Street economists' expectations of a 1.2 per cent decrease.

The July drop was entirely in the transport sector and reflected the tepid pace of new-car sales as well as a weakening in volatile demand for costly passenger aircraft. Orders excluding transport gained moderately in both June and July.

The pace of sales for North American-made cars and light trucks has picked up in mid-August from the beginning of the month and car makers say they intend to raise output during the third quarter when new models start to roll off assembly lines.

Durable goods orders are considered a good gauge of the economy's health. They are generally expensive and take longer to produce so that orders measure both demand and future employment prospects among manufacturing companies.

Total orders in July were worth \$127.5bn (£84.9bn) compared with \$132.5bn in June. Orders for defence goods, which experience wide monthly swings, gained by 13.2 per cent last month after a 4.5 per cent rise in June.

If defence is excluded, overall orders in July fell by 4.5 per cent after the 4.5 per cent June rise.

Transport sector orders fell in July by 18.1 per cent after a 14.3 per cent June increase. The department said it was the biggest monthly drop in such orders since November 1990 when they fell by 25.2 per cent.

Canada election likely in October

MS KIM Campbell, Canadian prime minister, is likely to call soon for an October general election, Reuter reports from Ottawa.

With 1.6m Canadians unemployed, the campaign is expected to focus on who can best put people back to work and curb public debt, without cutting costly welfare services or raising taxes.

Ms Campbell, who succeeded Mr Brian Mulroney as Conservative leader and became Canada's first woman prime minister two months ago, is expected to announce the election in the next week or two. It will probably be held on October 18 or 25.

Ms Campbell, a 46-year-old lawyer, has criss-crossed Canada in recent weeks, meeting voters, to try to distance herself from Mr Mulroney, who stepped down in June as Canada's most unpopular leader since 1945.

She will explain her economic policy to Toronto businessmen tomorrow. Opposition leaders have accused her of party political campaigning on taxpayers' money and want her to call the election as soon as possible so that all parties may enjoy free media time.

Under Canada's British-style parliamentary system, Ms Campbell automatically became prime minister on winning the party leadership in June, but her party's mandate to govern is to run out this autumn.

Recent opinion polls show Ms Campbell to be far more popular than Mr Jean Chrétien, the Liberal party leader.

A Gallup poll published last week found that Conservative support had risen in July from 33 to 36 per cent, four points behind the Liberals, who had slipped from 43 per cent.

Mr Chrétien, whose party was shut out of power for nine years by Mr Mulroney, said Ms Campbell had only a summer job and that recession-weary voters would oust her.

Developers attack wetlands protection plan

By Lisa Bransten in Washington

US MINING and development interests have attacked the Clinton administration's plans to end the divisive debate over protecting US wetlands, hours after these were announced.

Interest groups, led by the National Association of Home Builders and the American Mining Congress, filed a suit in Washington late on Tuesday, in an effort to stop one of the plans' provisions.

The suit challenges the administration's ability to require permits for all building excavation in wetlands areas, which would be a toughening of previous policy.

The suit alleges that the nine federal agencies which developed the plan acted illegally by adopting the new rule administratively, rather than submit it to Congress.

"This is going to cause a lot more people to have to get permits in a system that is already overburdened," said Ms Cynthia Adcock of the home builders' association.

Developers, agricultural interests and environmentalists gave mixed reactions to the plan, which offers some concessions to all parties but satisfies none completely.

Developers are to be allowed to operate "mitigation banking", whereby property owners may buy the right to drain a wetland by contributing to a fund set up to restore such land elsewhere. Also, a new rule would allow property owners denied building permits the right to appeal without going to court.

Environmentalists are pleased with a provision that would prevent indiscriminate development of more than 1.5m acres of wetlands in Alaska, and with the president's commitment to no net loss of wetlands in the short run and to restoration in the long run.

Many are angry, however that the agriculture department would be responsible for identifying wetland areas and that the plan does not protect more than 53m acres of wetlands drained prior to 1985.

"We believe that the package, on balance, is a net loss for America's wetlands," said Mr Michael Crook of the National Wildlife Fund. He said mitigation banking could encourage development of wetlands by making it easy for property owners to comply with requirements.

Reuter

NICARAGUAN HOSTAGES RELEASED BUT OTHERS STILL HELD

Cardinal Miguel Obando y Bravo of Managua, pictured on arrival at the northern Nicaraguan town of Quilali, helped to secure the release of 11 left-wing hostages there early yesterday.

Contra rebels, however, continued to hold five hostages and said they had suspended their talks with the cardinal after spotting government troops nearby. He said later yesterday he was seeking more talks. The rebels are demanding that left-wing Sandinstas be ousted from the Nicaraguan government.

The releases came after former Sandinista gunmen holding hostages in Managua had freed three conservative politicians late on Tuesday. They continue to hold Vice-President Virgilio Godoy and five colleagues in order to try to force the release of the left-wing hostages at Quilali.

Salinas wins voting reforms in Congress

By David Luhnow in Mexico City

MEXICO'S Congress has approved a package of political reforms which the government hopes will give a more democratic gloss to the country's authoritarian image.

The changes were passed easily, late on Tuesday, with votes from the ruling Institutional Revolutionary Party (PRI) and two opposition parties. Three opposition parties voted against.

The reforms regulate what the opposition claims is the PRI's unchecked access to public funds and the news media, and put limits on campaign financing. Also, for the first time in Mexican history, any offspring of foreign-born parents will be allowed to become president, as of 1999.

Other imporant reforms will:

- Open the Mexican Senate to opposition representation by allowing a third, minority-party senator from each state.
- Introduce some proportional representation into the way the lower chamber of Congress is elected.
- Set up a federal body to oversee elections.

The proposals are seen as the last chance for President Carlos Salinas, who has won international praise for his bold economic reforms, to fulfil promises to modernise Mexico politically.

The PRI, which has governed Mexico for the past 63 years, needed only its own Congressional majority to pass the proposals, but it negotiated the support of the conservative National Action Party (PAN) so as to give the reforms credibility at home and in the US. Some US legislators are demanding a more democratic Mexico before they ratify the North American Free Trade Agreement.

The PRI won over the PAN by allowing a minority-party senator from every state and allowing presidential candidates with foreign-born parents, an old PAN demand.

"Since he won some opposition support, Salinas can market these reforms as democratic, both here and abroad," said Ms Denise Dresser, a political scientist at Mexico's Autonomous Technological Institute (ITAM). But the moves failed to win the approval of the nation's most powerful opposition force, the leftist Party of the Democratic Revolution (PRD).

In 1988, a leftist alliance, which later formed the PRD, lost to Mr Salinas a hotly contested presidential election marred by charges of fraud by the PRI. During the next few days, the PRI and the PRD will meet in a last attempt to gain PRD support, although this is seen as unlikely.

"The changes are unacceptable," says Mr Porfirio Muñoz Ledo, head of the PRD. "They show the PRI is not prepared to think about losing elections." Many opposition members maintain the PRI will use these latest reforms to increase its grip on power.

"The change in electing deputies will increase the PRI's over-representation via a more proportional system of representation," says Juan Molinar, an electoral expert with the Colégio de Mexico. "Although the reforms sounds good, it means the PRI can get 40-something per cent of the vote and end up with 60-something per cent of the seats."

Haiti PM seeks end to embargo

By Canute James in Kingston

HAITI'S new prime minister, Mr Robert Malval, has appealed for an early end to the international economic embargo which has squeezed the Caribbean nation.

He made the request after Haitian legislators, with apparent reluctance, had confirmed his nomination to the post.

This has completed another stage in a 10-stage sequence for the eventual return to office of President Jean-Bertrand Aristide, who was overthrown and exiled by the army almost two years ago.

Under an agreement secured via the United Nations, and which has led to the resignation of Gen Raul Cedras, the army leader, Father Aristide is to return to Haiti on October 30, after Mr Malval's government has been installed and the sanctions lifted.

The Haitian chamber of deputies voted on Monday to ratify Mr Malval, a 50-year-old publisher, who is Mr Aristide's choice for premier.

This followed ratification by the Senate a week earlier, but the new prime minister is facing opposition over the composition of his cabinet.

This will have to be approved by parliament before the sanctions can be lifted. However, legislators dislike the absence from Mr Malval's list of prospective ministers of members of Haiti's conservative parties, which hold the majority in parliament.

The country of 7m people has fuel for only a few days because of the embargo. This could lead reluctant legislators to approve Mr Malval's cabinet so as to have the sanctions lifted.

Babangida expected to give up grip on power today

By Leslie Crawford in Lagos

GENERAL Ibrahim Babangida, Nigeria's military ruler since 1985, was set to relinquish power today after bowing to pressure from fellow army officers to hand over to a non-elected civilian administration.

After plotting for weeks to extend his rule, Gen Babangida is understood to have abandoned plans to install himself *at the head of an "interim government"*. During tense meetings of the ruling military council this week, Gen Babangida's service chiefs are said to have threatened open rebellion if he insisted on clinging to power.

The 52-year-old soldier, veteran of three coups, was told by his officers he had discredited the armed forces by reneging on a pledge to return *Africa's most populous nation* to democracy. His decision to annul the June presidential *poll, they said, was responsible* for plunging Nigeria into the worst political crisis since the *1967-70 Biafran war.*

The resolution of the crisis is likely to be an anti-climax. A farewell military parade in the capital Abuja will see off the troublesome general. It will be followed by an inauguration ceremony for the interim civil*ian administration.*

Diplomats believe the new government will be composed largely of members of the outgoing Transitional Council, a civilian team appointed by Gen Babangida six months ago which has been singularly inef*fective in arresting Nigeria's* economic decline. Chief Ernest Shonekan, chairman of the Transitional Council, is tipped to become Nigeria's new president.

Gen Babangida, however, is not expected to remain active *behind the scenes. His officers,* led by Gen Sani Abacha, the defence minister, are reported *to be too angry to let him stay.* "Babangida will probably spend some time cooling his heels at his mansion in the Ivory Coast," a diplomat in Lagos said. The Babangidas also own property in France and Switzerland.

But the military are not expected to leave the stage entirely. One of the key questions still to be answered is whether the National Defence and Security Council, the ruling military body, will dissolve itself with Gen Babangida's departure or continue in some advisory capacity.

"We still don't know whether we are getting another military government with a civilian facade, or a truly civilian administration," Gen Olusegun Obasanjo, a former president *and the only Nigerian military* ruler to have voluntarily left office, said yesterday. "If Babangida completely leaves the scene, perhaps the people will learn to live with a non-elected administration. But it is clearly no substitute for a democratically elected government."

Chief Moshood Abiola, winner *of the aborted presidential* contest, said yesterday from his self-imposed exile in London that he had not abandoned his claim to the presidency. "I will return to Nigeria as soon as it is safe for me to do so," he promised. "I cannot mount a *challenge while my life is in* danger."

Chief Abiola said it would be a "mortal error" for western governments to recognise Nigeria's new leaders.

China acts to curb corruption

By Tony Walker in Beijing

THE Chinese Communist Party's top disciplinary commission yesterday formally banned party officials from trading on the stock market and holding private business interests.

In a nationwide drive to achieve "clean government", the commission unveiled a new code of conduct imposing severe *limitations on* tens of thousands of officials.

Warning that corruption was "still growing and spreading", the commission said, "the neg*ative and corruptive manifestations, if not overcome reso*lutely, will ruin the party, the people's political power, and the great cause of socialist modernisation."

The new rules are set to strike at the heart of the patronage system so precious to Chinese officialdom, and for that reason are certain to prove extremely difficult to enforce. The new code of conduct bars officials from:

- *Engaging* in business on their own account or using their influence to assist relatives and friends profit from their activities.
- *Trading in securities.*
- *Accepting gifts of money or* negotiable securities, or credit cards.
- Using public funds to acquire membership of clubs or to participate in any high-cost recreational activity.

The measures reflect intense concern at senior levels of the Communist party over the continuing erosion of the party's reputation and authority caused by corruption fuelled by *China's* economic boom.

It also coincides with deepening worries in Beijing over a weakening of the central authorities' control over the regions.

Officials face enormous obstacles in their corruption drive, however, since the problem reaches high into the ruling party itself. Top officials and their relatives are among those most deeply engaged in private business.

The anti-corruption communique was issued at the end of a six-day conference attended by more than 100 senior officials, and addressed by Mr *Jiang Zemin, the Party boss.*

"Corruption is a virus that has infected the healthy bodies of our Party and State," Mr Jiang told delegates at the weekend.

OBITUARY: LORD KADOORIE

Visionary HK businessman

LORD Kadoorie, one of Hong *Kong's greatest businessmen* and its first British peer, died yesterday, aged 94. He leaves behind a family empire worth close to US$4bn (£2.6bn), *including controlling interests* in Hong Kong's largest power company and one of Asia's leading hotel groups.

Lord Kadoorie was one of *the colony's few tycoons to* build up equally strong links with Britain and China. In 1981 he was awarded the title of Baron Kadoorie of Kowloon in Hong Kong and the City of Westminster, shortly after awarding Britain its largest ever export order - for China Light and Power's Castle Peak power station.

Four years later he finalised China's first nuclear power project, in Daya Bay, near Hong Kong. The deal was signed by Chinese premier Li Peng and it earned Lord Kadoorie a dinner engagement with Chinese patriarch Deng Xiaoping, which was to have taken place at the opening of Daya Bay, later this year.

He argued that Hong Kong *should be a neutral point of* contact between China and the west and pursued this goal

Reuter

Lord Kadoorie – "unshakeable faith in Hong Kong's future"

both as businessman and conservative politician.

Hong Kong's acting governor, Sir David Ford, described Lord Kadoorie as "a businessman of extraordinary vision" and a man with "unshakeable faith in Hong Kong's future".

Lord Kadoorie was chairman of China Light and Power from 1935 through to 1992. His *father, Sir Eleazar Kadoorie,* had emigrated to the colony from Baghdad in 1880, and expanded from stockbroking into electricity. His son rebuilt the business after the Japanese occupation left little more than the Peninsula Hotel. The family now controls 35 per cent of the HK$68.4bn (£5.9bn) capitalised China Light and Power, 61 per cent of Hong Kong & Shanghai Hotels and interests in companies ranging *from textiles to banking.*

Simon Davies

France to bring peace forces home

FRANCE will withdraw its peacekeeping troops from Somalia by the end of the year and from Cambodia by the end *of next January, Mr François* Léotard, the French defence minister, said yesterday, writes **John Ridding** from Paris.

Speaking in an interview with Radio France Internationale, Mr Léotard said the withdrawal of troops from the two countries had been scheduled *and was in line with the* United Nations' timetable for ending operations there.

According to Mr Léotard, France would maintain its troop presence in the former Yugoslavia. But he said that he wanted to see stronger UN command in the field to increase the safety of the 6,000 troops stationed there. He said that French troops would continue to be available for other UN missions.

France has about 1,400 troops in Cambodia. It has been active in seeking a solution to the civil war there, co-*chairing the Paris conference* in which the four conflicting factions signed a peace accord.

Talks pressure and finances divide PLO

Julian Ozanne examines the turmoil on the Palestinian side before negotiations resume

A *FINANCIAL* crisis in the Palestinian Liberation Organisation combined with divisions about what, if any, concessions to make to Israel have left the Palestinians floundering as they prepare for a further *round of talks with Israel in* Washington next week.

Analysts say the turmoil is the result of soul searching about the need, under increasing Arab and international pressure, to make compromises to reach a deal with Israel. *Negotiations have yielded* nothing in 22 months and conditions in the Israeli-occupied territories have deteriorated.

Mr Yassir Arafat, chairman of the PLO for 25 years, was yesterday confronted with revolt within the movement over *his* authoritarian leadership style and his management of the crisis.

Two members of the 18-strong PLO executive committee have resigned in the past week and there have been calls for Mr Arafat to stand down.

In Amman yesterday Mr Arafat dismissed any talk of crisis but he is expected to feel the heat at a meeting of the executive committee in Tunis today.

His critics have concentrated their fire on two related problems: the financial crisis caused by PLO backing of Iraq in the Gulf war and Mr Ara*fat's apparent willingness,* without consultation, to make concessions to Israel.

After the PLO supported Saddam Hussein in 1991, Gulf *states suspended millions of* dollars of direct financial aid to the PLO and expelled hundreds of thousands of Palestinian guest workers who sent 7 per *cent of their salaries to the* organisation.

The PLO has cut its annual budget from $320m (£215m) to $140m in the past two years. It *has had to close offices and* newspapers, delay salaries and monthly gratuities to more than 39,000 employees and dependants and suspend fund*ing of universities, hospitals,* municipalities and scholarships in the Israeli-occupied West Bank and Gaza strip.

At a time of mounting criti*cism the PLO cannot buy polit*ical support by spreading cash around the occupied-territories and risks being outspent by the Iranian-funded Hamas, which is rapidly *developing* a network of social services and which rejects talking peace with Israel.

The financial crunch also strengthens the hands of Arab states which will continue to use the carrot of a resumption of financial support as a means of forcing the PLO to make more concessions.

These money problems, combined with what opponents say is Mr Arafat's desire to strike a deal in his lifetime, have pushed the 64-year-old leader towards compromise.

Critics say his willingness to *make concessions is evident in* his keen acceptance of the "Gaza-Jericho option" – a pro*posal that provides for the* immediate assumption of full Palestinian authority in the Gaza Strip and West Bank town of Jericho leaving the rest *of the West Bank* under some form of interim self-government.

In return Mr Arafat might be willing to make compromises on control over occupied Arab East Jerusalem during the interim phase – the current sticking point in peace talks.

Mr Nayef Hawatmeh, leader of the Democratic Front for the Liberation of Palestine and a long-time critic of Mr Arafat, said the PLO chairman had agreed to the proposal after being promised $700m in aid from the US, Japan and European countries.

Whether true or not, *Mr Ara*fat's enthusiasm for the Gaza-Jericho option has drawn the lines of debate. The proposal is supported by some peace nego*tiators from the territories* anxious for a deal which will address, sooner rather than *later, worsening conditions for* Palestinians living under occupation. But it is firmly opposed by many PLO stalwarts.

PLO officials said the resignation last week of Mr Mahmud Darwish was partly an act of protest against Mr Arafat's willingness to make concessions which would leave parts of the West Bank under Israeli control. And Mr Shafiq al-Hoot, who withdrew from the executive committee at the weekend, said Mr Arafat was going beyond policy "red lines" for peace talks with Israel laid down by the Palestinian parliament-in-exile in Algiers in 1991.

The pressures on Mr Arafat, one of the greatest survivors in Arab politics, are coming from all sides. This time many Palestinians believe "the old man" will have to give up some of his coveted powers and allow a more democratic leadership capable of nudging the dispa*rate PLO factions towards* acceptance of the hard realities of making peace with Israel.

Associated Press

Arafat in Amman yesterday with the widow of a Palestinian military commander: now 25 years of leadership are under fire

Keating agrees to talks over tax increases

By Alexander Nicoll, Asia Editor

THE Australian government, facing fierce opposition to tax increases announced *last* week, yesterday agreed to hold negotiations with smaller political parties which have threatened to block the budget *in the Senate, the upper house* of parliament.

The retreat by Mr Paul Keating, prime minister, increased the likelihood of a compromise which would prevent his Labor government from resorting to extreme steps to push through the budget.

The row has caused talk of a possible dissolution of both houses of parliament and fresh elections only five months *after Mr Keating's Labor* government was elected – though the smaller parties in the Senate are thought to have *little* to gain by forcing elections.

Mr Keating yesterday met Ms Cheryl Kernot, leader of the Australian Democrats, who said *afterwards* that the talks had been constructive. "I think they know that they have to talk," she said.

The government would have *little difficulty* securing the budget's passage through the lower house. But in the Senate, 10 senators – Australian Democrats, Greens and an *independent* – *hold* the balance of power. The Democrat and Green parties threatened to side with the opposition on the budget.

Mr John Dawkins, *federal treasurer*, said the government did not object to hearing the Democrats' views, but that "it must be understood that there can be no significant change of the government's overall deficit reduction strategy."

He had announced increases in wholesale taxes and on petrol, alcohol and tobacco in order to battle a widening budget deficit he estimated at A$16bn (£7bn) for the financial year which began on July 1.

According to one opinion poll, the budget caused the government's popularity to drop to its lowest level in Labor's 10 years in power.

Mr Bernie Fraser, Reserve Bank governor, warned that the threats to block the budget might force a rise *in* interest rates – a step the government keenly wants to avoid as it seeks to steer the economy out of a long recession with 10.7 per cent unemployment.

The senators' opposition to the new taxes has raised constitutional issues about the role the Senate, which normally passes budgets without question on the principle that the executive should be allowed to govern.

Mr Dawkins said earlier in the week: "I think it would be a very sad day for Australia if we got into the sort of situation that they are in in the US where the executive government is unable to secure the passage of its legislation through the parliament."

Keidanren chief to head structural reform panel

By Gordon Cramb in Tokyo

MR MORIHIRO Hosokawa, Japan's *new prime minister, yesterday* appointed Mr Gaishi Hiraiwa, chairman of the Keidanren, the country's leading business grouping, to head a panel which will seek ways to restructure the economy.

An emergency meeting of economic ministers last Thursday decided to set up *the* advisory committee, which is to report by the end of the year. It is charged with identifying structural reforms to deal with the yen's recent surge, which is hurting exporters.

The appointment of Mr Hiraiwa helps cement relations between the seven-party ruling coalition and the influential Keidanren, which was a traditional ally of the Liberal Democratic party, ousted this month following a general election.

The Keidanren has long sought moves to deregulate the economy, which Mr Hosokawa said last week would be a main thrust of an autumn policy initiative.

Official data indicate that the domestic economy *remains* depressed. Figures for July department store sales yesterday showed a 6.2 per cent fall from the same month of 1992, their 17th successive monthly decline.

Banks cut their *prime rates* by 0.2 points to 4.8 per cent in response to a recent easing of money market rates, but Mr Hosokawa told MPs a further cut in the official discount rate from the current 2.5 per cent was difficult.

He was responding to questioning by Mr Yohei Kono, new LDP leader. *Mr Kono* also extracted a pledge from Mr Hosokawa that the premier's recent acknowledgement of Japan's wartime aggression did not imply that Asian countries were entitled to com*pensation. The opposition leader* also attacked his vagueness on political reform, the government's main aim. The coalition has not yet been able to settle on which electoral mechanism should replace the current scandal-tainted system.

Difficulties within the coalition were underlined yesterday when it emerged it also could not agree on a gubernatorial candidate for Ibaraki prefecture north-east of Tokyo. Mr Hosokawa's Japan New party and the *allied Japan Renewal* party will side with the LDP against a candidate backed by the Social Democratic party, the largest and most left-wing member of the coalition.

Japan's industry feels the pain of a strong yen

'The most difficult problem is people.' **Gordon Cramb** and **Michiyo Nakamoto** report

SOME 175 skilled Japanese workers will from next month make an unfamiliar journey. Toyota Motor, Japan's industrial flagship, is for the first time seconding employees to an affiliate because it has no work for them at its own plants.

Toyota, usually the country's top income earner, is suffering the twin impact of dull domestic demand and a currency *crunch on export* margins – the group warned yesterday (it faced an operating loss if the yen stays strong. The 175 have not lost their jobs, as might happen at Toyota's western rivals, but the security of working for Japan's *most admired automotive* group has been rattled.

Japan has seen a number of previous *assumptions* upset this summer. The latest rise in the yen has left the currency up by nearly a sixth against the dollar since January, *throwing exporters' earnings* forecasts out of kilter. A domestic economic upturn glimpsed in the spring has failed to materialise.

Company executives' decisions are further clouded by official policy uncertainties. The new government averred when it took office two and a half weeks ago that it would *maintain the basic* economic stance of promoting non-inflationary growth pursued by its Liberal Democratic party predecessor. But ministers in the seven-party coalition are in apparently increasing discord on how to proceed.

An autumn public *spending* package remains uncertain, the cabinet is divided over whether any income tax cuts should be offset by a VAT increase or by government borrowing, and some analysts are playing down previous expecta*tions that the official discount* rate will be cut next month from its already historic low of 2.5 per cent.

Business leaders are urging the government to act. Mr Kosaku Inaba, new chairman of the 1.5m-member Japan *Chamber of Commerce and* Industry, said on Tuesday income taxes and the discount rate should both be cut, even if this meant creating a deficit which had to be funded through a government bond issue.

THE Bank of Japan, the country's central bank, *in its monthly economic* review maintained this week that the economic slowdown appeared to be coming to an end but acknowledged that clear indications of recovery remained absent. Fixed investment by manufacturers contin*ued to decline, it noted.*

The automotive sector, export-reliant and with sales at home also down some 10 per cent this year, is having to revise earlier, already modest, expenditure plans. Nissan, the second-largest automotive *group, is cutting capital spend*ing by another Y20bn (£129m) this year on top of an original Y30bn reduction. Mazda said this week it was seeking further economies than envisaged in an adjustment plan unveiled only in June. Mr Tatsuro Toyoda, president of Toyota, said yesterday there was a limit to the measures one company *could implement in a short* time.

Such new investment commitments as are being made in Japan are mostly for high value-added products: NEC, the electronics group, is spending Y30bn to make liquid crystal *display colour screens in west*ern Japan, the market for which is growing by 40 per cent a year.

MANUFACTURERS in sectors such as consumer electronics *say that when they are shifting* output of more standard lines abroad, the question remains *of what to do with the workers* left at home. In a culture which inhibits redundancies "the most difficult problem is people," says Mr Yasuaki Takano, president of Sanyo Electric.

Many company executives *say they have already done* what they can to counter the adverse effects of the high yen, and suggest that it is now the government's turn.

"We would like to see the Japanese government step up efforts for a stimulus to the economy. We are disappointed they have been so slow," says Mr Takeshi Kondo, head of political and economic research at Itochu, a leading trading house.

Mr Ichizo Ishitsubo, president of Clarion, the car audio manufacturer, adds: "Last autumn we took great pains to draw up a restructuring plan and we did everything we needed to do in the latest half-year."

The workers that Toyota is transferring will now help produce a popular line of recreational vehicles for Toyota's smaller Auto Body associate. With no sight yet of a government programme to jump-start the economy they, like the rest of Japanese industry, are left wondering what happens down the road.

Saudis review petrochemicals after plant rift

By Deborah Hargreaves and Roger Matthews

SAUDI ARABIA'S cancellation of an \$800m (£534m) project to build a plant at Yanbu on the Red Sea coast, for the production of petrol additives, has set off a review of the kingdom's entire strategy in petrochemicals.

This could lead to more involvement by Saudi Aramco, the state oil company, in the sector, but is also likely to delay private sector interest in petrochemicals projects for the duration of the review.

The planned joint venture at Yanbu was to build a plant for producing methyl tertiary butyl ether – an environmentally friendly alternative to lead in petrol.

The venture, known as Arabian American Chemical Company, was jointly owned by Mobil, the US oil company, and Arabian Chemical Investments Corporation – a private Saudi company headed by Mr Luay Nazer, son of the Saudi oil minister.

When the project was cancelled on August 9, a Saudi official said this was because of the need to formulate a clear policy for investment by the state and private sector in the petrochemical industries.

Mobil expressed its disappointment at the cancellation. The company had been working on plans for the plant, which would have had an 800,000-tonne annual output, for several years.

The episode marks a rare public rift between a foreign oil company and the Saudi authorities.

Mobil had made many commitments to the project; the company had begun to line up markets for the products and to charter tankers for shipment.

The questions over the project were seen in the industry as having arisen from a possible conflict of interest concerning the Saudi oil minister's son being at the head of the private company working with Mobil.

However, Saudi officials say the cancellation comes from the need for a fundamental review of the kingdom's downstream activities in oil.

This follows the merger of Samarec, the kingdom's refining and marketing arm, with Saudi Aramco, the state-owned oil company, this year.

Saudi Arabia's petrochemicals industry is run by Saudi Basic Industries Corporation, Sabic, which is mostly state-owned but has some private shareholdings.

King Fahd, the Saudi ruler, is understood to be looking at rationalising the downstream oil and chemicals industries with a view to making them more efficient and to cut costs. Low oil prices over recent years have left the kingdom strapped for cash.

"They are not flush with cash the way they used to be and all projects will have to be reviewed carefully," said one industry analyst.

Saudi Aramco – the kingdom's main oil producer – provides the crude oil feedstock for running refineries and chemicals plants, often at a fairly large discount.

Many in the industry have argued for a bigger role for the company in decisions about downstream investment, although it has no experience of petrochemicals.

As part of its review, the government could decide to stipulate that either Aramco or Sabic be a partner in any joint venture project.

At the very least it is likely to require some increased input from Aramco on future projects – this could involve setting up a panel for approving new ventures.

Aramco has already set up a new business unit to deal with refinery operations after the merger with Samarec in June. It could be expanding its operations to cover petrochemicals in coming months.

Taiwan link for Hicks, Muse

By Daniel Green in Taipei

HICKS, MUSE, a Dallas-based private investment company, yesterday became the latest foreign concern to sign a strategic alliance with Taiwan's ministry of economic affairs.

Other companies which have done so include: AT&T, the US telecommunications giant; Motorola, the communications and electronics company; General Motors, the vehicle maker; and GE, which makes aero-engines.

These alliances are intended to bring together foreign companies seeking to cut costs and Taiwanese manufacturers eager to acquire new skills.

At least five more companies, both US and European, are preparing to sign similar deals with the ministry, according to Mr Paul Hsu, a lawyer involved in the alliances.

Taiwanese companies "are good at making components but bad at integrating them [into products]", he said. However, Taiwan offers high productivity and rapidly growing local markets.

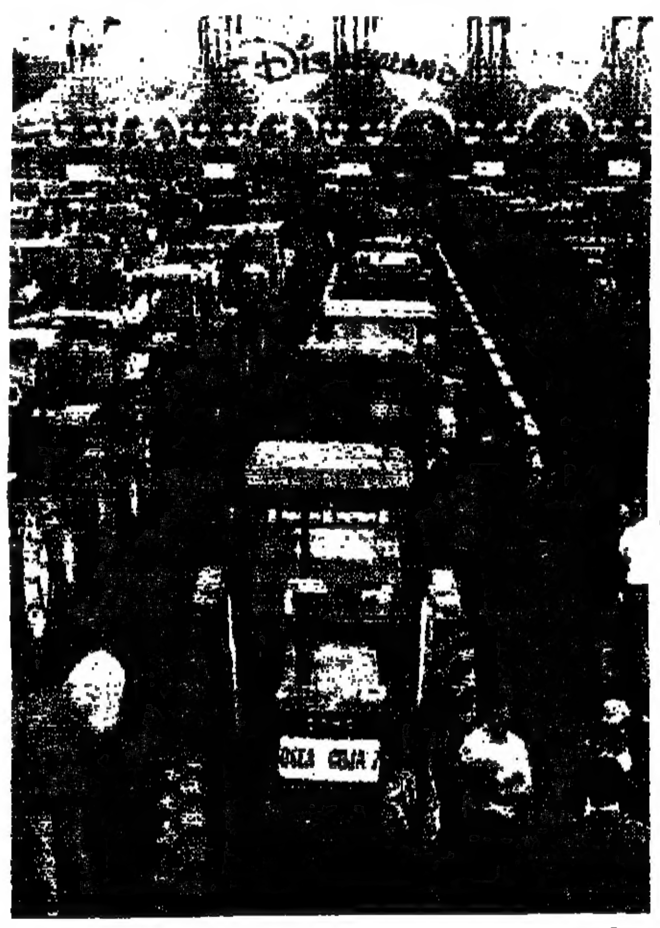
Balladur will seek Kohl help for way out on Gatt

France's prime minister is under pressure from his farmers and allies alike over proposals for liberalisation in agricultural trade, writes **Alice Rawsthorn**

MR EDOUARD Balladur, the French prime minister, is an amenable sort of man who prefers conciliation to confrontation, but there is one issue on the agenda at his meeting in Bonn today with Mr Helmut Kohl, the German chancellor, which is in danger of being confrontational.

France, like all the other participants, is anxious to conclude the Uruguay Round of trade liberalisation talks under the General Agreement on Tariffs and Trade before the December 15 deadline. But Mr Balladur is under pressure from France's militant farmers to reject the proposals in the hope of negotiating a more favourable agreement.

If he did so, Mr Balladur would risk condemning France to international isolation. He has to persuade his allies to give him some sort of compromise so that he can placate the farmers *and* sign the Gatt deal. The talks today with Mr Kohl will, or so he hopes, be the first step towards such a solution.



Reuter

Balladur does not want to be the object of French farmers' talent for demonstrations, such as this one in June at EuroDisneyland

The French farmers are opposed to cuts in the EC export subsidy system which, they claim, has helped France to become the EC's largest agricultural exporter with almost a quarter of total EC production.

They are a powerful political lobby in France, particularly on the right, Mr Balladur's side of the spectrum. They have already secured the support of the more outspoken members of the Balladur government, notably Mr Philippe Séguin, leader of the National Assembly.

However the importance of agriculture to the French economy is fast diminishing. It now accounts for just 2.4 per cent of gross domestic product. In theory Mr Balladur ought to be able to placate the French by arguing that any threat to farming in the Gatt reforms will be easily out-weighed by the benefits to services, such as telecommunications and banking, which are a far larger part of the economy.

France has already started to try to shift the emphasis of the Gatt debate by airing its grievances on services issues. It has lobbied for the US to accept further liberalisation in telecommunications and for the introduction of unilateral measures against unfair trade practices along the lines of "Section 301" in US trade legislation.

But the farmers are unlikely to let Mr Balladur off the hook. One of their most effective weapons is a talent for dramatic demonstrations, such as their tractor blockade of the EuroDisneyland theme park. The last thing Mr Balladur needs is a fresh onslaught from the farmers at a time when his government is already under fire for the sluggish state of the economy and its failure to halt the rise in unemployment.

For France's allies, the conclusion of the Uruguay Round is of critical importance. A Gatt deal promises not only to end years of uncertainty on the world trade scene but to yield significant benefits for all the signatories, including France.

The other signatories, not least the Germans, have made clear that they will be furious if France blocks the deal. Mr Klaus Kinkel, the German foreign minister, recently attacked France for its "protectionist" approach. However, after a meeting in Dresden on Tuesday with Mr Alain Juppé, his French counterpart, he said he was sure the "few, small problems" could be resolved.

The French hope that the forum for resolving those problems will be the special meeting of EC foreign and farm ministers due to be held in Brussels on September 20. France called the meeting last month in the hope that it can persuade its EC partners to re-open the Blair House accord on agriculture struck last year between the EC and the US.

Mr Balladur plans today to table his proposals for a compromise deal on agriculture to Mr Kohl, in the hope of winning Germany's support before the Brussels meeting. French officials are not talking about the details although it is known that France is particularly concerned about the impact of the Blair House accord on the EC share of world cereal exports and on imports of meat and cereal into the EC.

Most observers are cautiously confident that, somehow Mr Balladur will avoid vetoing the deal. "There's no way that France wants to risk isolation," said one. "In any case the French have always been great last-minute merchants. They sit and sit until they have pushed the other side as far as it will go – then they back down."

● Quentin Peel adds from Bonn: There is sympathy in Bonn towards Mr Balladur's difficulties with the farm trade chapter in the Gatt negotiations, but few concrete suggestions on how he might be helped.

"We would certainly try to help the French save face," one senior official said yesterday. "But we really do not see how we can re-open the whole negotiations with the US."

Although Mr Kohl has always been the EC leader most prepared to help France defend its agricultural interests – not least because of his own strong farming lobby – his patience has clearly worn thin.

One reason is that the Blair House agreement was partly drafted by his own agricultural adviser, Mr Franz-Josef Feiter, precisely in order to help the French. Yet even that gesture was not enough for Paris.

See Editorial Comment

Italian company wins contract

Esso Singapore to upgrade refining

By Kieran Cooke in Kuala Lumpur

ESSO SINGAPORE, part of Exxon Corporation, has announced that it will invest S\$380m (£157m) to upgrade its oil refining operations in Singapore.

Foster Wheeler Italiana, based in Milan, has been awarded the contract to build a 15,000 barrel per day hydroprocessing unit at Esso's 230,000 bpd Pulau Ayer Chawan refinery. The new unit will upgrade lower value, high sulphur vacuum gas oil to produce low sulphur diesel oil, naphtha and low sulphur vacuum gas oil.

Esso said that demand in the Asia Pacific region for high grade products was outstripping supply. "Strong economic growth in the Asia-Pacific has boosted demand for higher grade, cleaner refined products," said Esso.

Singapore, with a refining capacity of slightly over 1m b/d, is now the world's third biggest refining centre, after Rotterdam and Houston. Singapore's refineries supply about 40 per cent of Asia's imports of refined products.

Several companies have recently announced multi-million dollar projects to upgrade existing refineries or build new petrochemical plants in Singapore. In February, British Petroleum, Caltex and the local Singapore Petroleum company announced a \$850m (£570.4m) refinery project in Singapore.

Tories told tax increases needed to offset state debt

By Kevin Brown, Political Correspondent

RIGHTWING members of Britain's ruling Conservative party yesterday came under growing pressure to admit that tax increases could be needed to offset the country's £50bn borrowing requirement.

Mr John Biffen, a former chief secretary to the Treasury, urged Tory MPs to abandon moves aimed at forcing the government to rule out higher direct and indirect taxes, which he said were necessary to offset the increasing state debt.

He advised ministers to ease the pain of tax increases by raising the higher rate of income tax as well as indirect taxes, which bear more heavily on middle and lower incomes.

Mr Biffen's comments will encourage Mr Michael Portillo, the present chief secretary to the Treasury, who has warned in recent interviews that public spending restraint may not be sufficient to reduce the deficit.

Mr Portillo will also be heartened by the re-emergence yesterday of deep divisions on economic policy in the opposition Labour party.

The opposition's hopes of forging a united front on economic policy were shattered yesterday by an attack on Mr Gordon Brown, the party's chief finance spokesman, by Mr David Blunkett, Labour health spokesman. Mr Blunkett, a leading supporter of "radical" socialist policies, accused Mr Brown of allowing Labour's economic policy to be shaped by a decade of Conservative government.

The attack was prompted by the launch last week by Mr Brown of Labour's revised economic policy.

In it Mr Brown abandoned the party's "tax and spend" manifesto commitments from the 1992 general election and promised to cut taxes if possible.

Mr Biffen, meanwhile, suggested that the taxation issue could develop into a test of support for Mr John Major, the prime minister, as well as Mr Kenneth Clarke, the chancellor, and Mr Michael Portillo.

Interviewed on BBC Radio, Mr Biffen warned that the Treasury faced a bruising political battle with other rightwingers, who would be "deeply offended at the prospect of an increase in income tax".

He said the government would need "quality" leadership to survive. Asked whether such leadership existed, he said: "That is what the next 18 months will reveal."

Rightwing Tories, however, kept up pressure on Treasury ministers to consider deeper cuts in public spending. Mrs Teresa Gorman urged the government to "stick to priorities" and slash spending. "If Michael Portillo goes on with these policies he will be writing a suicide note for the Conservative party," she said. "The people will not forgive us for going back on our promise at the election that we would not raise taxes."

Labour, which has remained aloof from the Conservative debate, accused Mr Portillo of a short-term manoeuvre intended to pay for tax cuts before the next election.

Demand for new cars rises by 12%

By Kevin Done, Motor Industry Correspondent

REGISTRATIONS of new cars in the UK in the first 20 days of this month jumped by 12.1 per cent to 325,792 compared with 290,551 in the corresponding period last year.

August, the month in which a new year-letter is added to UK registration plates, is one of the most hectic periods for car sales. The year-letter change was shifted from January to August more than 15 years ago to stimulate slack summer sales. August sales are now a test of the state of demand for new cars and have accounted for 23 per cent of total annual sales of new cars in each of the past two years.

The 20-day figures released to carmakers yesterday confirm that the recovery in sales shown in the first 10 days of the month has been sustained. They have led some manufacturers to revise upwards their forecasts for the full month.

Ford, the leader of the UK new-car market, said yesterday that it had raised its forecast for the whole of August from between 400,000 and 405,000 to 415,000, indicating a jump of about 11 per cent from sales of 374,000 in August last year.

The UK is virtually the only car market in west Europe, where sales are currently growing, albeit from a very depressed level after three years of recession.

Mick Stevens (left) of the Union of Democratic Mineworkers confronting energy minister Tim Eggar at Bilsthorpe pit in the Midlands yesterday about last week's accident in which three miners died. Mr Eggar said the accident had been a "ghastly tragedy" and that any lessons on safety learned from it would be applied to every colliery in Britain

Poll finds caution on Major's charter

By David Owen

THE CITIZEN'S CHARTER appears to be doing little to raise the standard of services more than two years after it was launched by prime minister Mr John Major. Its aim was to improve standards and compensate the public for lapses.

The results of an independent survey into what people think about the charter shows that the performance of two thirds of leading public services – both in the public and private sector – is considered to have deteriorated over the past year. The survey of more than 3,000 adults was conducted by ICM research in the spring. Seventy per cent had heard of the charter, suggesting that the intensive promotional campaign which has accompanied Mr Major's Big Idea has been successful.

There was also support for a range of charter-related policies, with large majorities in favour of the publication of league tables by public services and the linking of public-sector pay to performance.

Since its launch in July 1991, the government's charter unit has spent £3.74m, with yesterday's research costing £75,000.

Only eight of the 31 services included in the survey were thought to be doing a better job than a year before, with some of the strongest performers – notably supermarkets – not covered by the charter. Family doctors and their practices are thought to be performing markedly better than last year. Local rubbish collection has also improved significantly in what may be claimed as a sign that the policy of allowing the private sector to compete for this business is paying dividends.

There are contrasting messages for financial institutions, with the building societies (savings and loans institutions) thought to be doing a better job than a year ago, while the banks were perceived to be doing much worse.

Alongside banks at the foot of the table were local roads and British Rail, the national rail network, while the performance of the law courts was also thought to have deteriorated markedly. With motorways, buses and London Underground also registering negative ratings, people appeared doubtful about whether the government's drive to improve Britain's transport network is working.

National Health Service hospitals comprise the service people most want to see improved, although more than three quarters of users think they are doing a very or fairly good job.

Inmates 'lie abed' in comfort of first private jail

By Rachel Johnson

INMATES at Britain's first privatised prison, run by the Group 4 security company, potter about for most of the day, play ping-pong and take large quantities of hard drugs, the chief inspector of prisons reported today.

Judge Stephen Tumim praised the staff of Wolds Remand Prison in northern England – the only prison operating exclusively as a remand centre for adult males in England and Wales – for a high-calibre service to prisoners that costs the taxpayer £5m a year.

But the judge attacked the "lethargy" among the prison's 320 inmates. He blamed it on the fact that the 171 prison staff – who address the inmates as Mr – could "not make the unconvicted work".

Judge Tumim's criticism follow the controversy over the recent leaked memo which suggested that Mr Michael Howard, home secretary, thought prisons were not "austere" enough.

The report contrasts the lethargy of life in the Wolds with the "excellence" of its facilities. Cells – to which inmates had keys – were light and spacious; meals were wholesome and ample; and visits were allowed 365 days a year.

"At the Wolds inmates lie abed more or less as long as they wish," Judge Tumim observed. "There is little work and much pottering about."

The only way to prevent the lethargy becoming "corrupting" was to include sentenced prisoners at the Wolds, according to one of his 102 recommendations. Staff at mixed prisons were better able to encourage involvement in activities.

Mr Derek Lewis, the prison service's director-general, said he would implement this recommendation. But he denied that the absence of systems for checking the financial aspects of the contract between Group 4 and the Home Office was a "serious weakness". Mr Lewis said that two full-time staff were at the Wolds to ensure taxpayers' money was well spent.

But Mr Stephen Shaw, the director of the Prison Reform Trust, agreed with Judge Tumim that the lack of financial monitoring of the remand prison was "alarming" given the government's determination to press ahead with its privatisation programme.

Mr Tony Blair, the opposition Labour party's home affairs spokesman, said the government should call a halt to privatisation. He said the Tumim report was a damning exposé.

Mr Jim Harrower, the managing director of Group 4's UK operations, said he that areas that required attention – such as the drugs problem – were being addressed.

Britain in brief

BNF cleared to begin tests at waste plant

British Nuclear Fuels has been told by the government's Pollution Inspectorate that it can begin to test its controversial Thorp nuclear reprocessing plant with uranium.

Greenpeace, the pressure group, said it would now ask the courts for leave to apply for a judicial review on the grounds that testing prejudged a decision about whether to give the go-ahead to the plant in north-west England.

BNF has been waiting since the start of the year for a licence to start operations at the £2.8bn plant, which has taken nearly 10 years to build. It has argued that, by testing the plant now, it could save several months' preparation if Thorp is eventually given authorisation.

Fixed-rate loans gain popularity

The proportion of borrowers taking on fixed rate home loans in the first quarter of the year increased sharply as a result of problems faced in 1992 by houseowners with variable-rate mortgages.

The Council of Mortgage Lenders said 46 per cent of first mortgages and 48 per cent of re-mortgages taken out in the first quarter were fixed compared with 27 per cent and 35 per cent respectively in the first quarter of 1992.

Fewer orders for contractors

Orders received by contractors for construction work in the second quarter of 1993 were 11 per cent lower than in the first quarter of 1993 but 11 per cent higher than in the second quarter of 1992, the Department of the Environment said.

Move to ease traffic jams

Plans to relieve severe congestion around Heathrow airport and the south-west section of the M25 London orbital motorway have been published in a consultation paper by the Department of Transport.

Scott Wilson Kirkpatrick, the engineering consultants, have recommended a road and rail project that could cost up to £830m and eventually lead to faster Underground and rail links to Heathrow from London's Waterloo station.

Expansion for brewer

Scottish and Newcastle, the regional brewer, announced a £39m expansion of its plant on Tyneside, north-east England. The plan for a five-acre site alongside S&N's existing Newcastle upon Tyne brewery will mean more advanced brewing plants and warehousing.

Soccer strip prices attacked

The Consumers' Association has criticised Britain's soccer clubs for charging high prices for new playing strips sold to youngsters and adult supporters. Check It Out! – the Consumers' Association magazine for younger readers – says all but three English Premier League teams charge more than £40 for a junior strip, an exercise which it branded a commercial money-spinner for the most popular clubs.

Gene therapy trials start today on cystic fibrosis

By Clive Cookson, Science Editor

THE FIRST trial in Britain of gene therapy for cystic fibrosis (CF), the country's most common serious genetic disease, will start today at the Royal Brompton Hospital in London.

In the four years since the genetic defect responsible for CF was discovered, scientists have devised two techniques for delivering functioning copies of the gene to patients' lungs. Lung damage is the main cause of death from CF.

A US group started clinical tests four months ago, using a modified virus to insert the gene into lung cells. But that trial has been suspended because the virus seems to inflame the patients' lungs.

The UK scientists say their technique is "milder" than the viral approach and less likely to cause complications. It has been used successfully to correct CF symptoms in laboratory mice.

The new gene is packaged in liposomes, tiny fat globules, which fuse with the cell membrane; the gene works inside the cells to produce the protein whose absence destroys the lungs of CF patients.

The trial has been approved by the government's gene therapy committee, chaired by Sir Cecil Clothier, and the hospital's own ethics committee.

Dr Duncan Geddes, clinical director of respiratory medicine, said: "This raises absolutely no ethical issues. We're using a gene to treat a disease and not to modify future generations."

The scientists expect to have preliminary results from the trial within four months. If these are encouraging, more patients will join in next year, but gene therapy is unlikely to become a standard treatment for the 7,000 young people with CF in Britain for at least five years. The therapy used in the Brompton trial was developed by a group led by Professor Bob Williamson at St Mary's Hospital Medical School in London with Dr David Porteous and colleagues at the Medical Research Council Human Genetics Unit in Edinburgh.

Nine young men are taking part in the first phase of the Brompton trial.

One of them, 23-year-old Mr Darren Keen from Hemel Hempstead, said yesterday: "I'm very pleased to be able to help. I'm sure there are no risks involved."

THE FEW remaining UK hospitals at which budgets are still controlled by local health authorities have been invited to become self-governing trusts.

Mrs Virginia Bottomley, the health secretary, said yesterday she expected the next wave of applications to "finish the job" of reforming the state-run National Health Service.

Mrs Bottomley said 145 hospitals and other health units, such as ambulance services, had applied to become trusts in the fourth wave of applications.

As a result of the first two waves, nearly 300 units are in the hands of self-governing trusts, accounting for two thirds of the NHS budget. A further 139 – the third wave – are due to become trusts in April.

Mrs Bottomley said there was a 7 per cent increase in activity in trust hospitals last year, compared with a 4 per cent increase in directly managed units.

The opposition Labour party reiterated its pledge to "stop the commercialisation of the health service, and the self-governing nature of the trust hospitals and community facilities".

Only 44 units have so far not opted out or applied for trust status. Dr Brian Mawhinney, a junior health minister, yesterday wrote to the managers of the 44 inviting them to apply for trust status by September 24.

Crown Agents to go commercial

THE TRANSFER from the public sector of the Crown Agents, an organisation which provides financial, professional and procurement services across the developing world, will for the first time give exporters and foreign aid agencies a direct role in its leadership.

The new shape of the organisation has become clear now that the British government has retreated after eight months of deliberation from its early preference for outright privatisation. It has chosen instead to make the Crown Agents an independent foundation limited by guarantee.

An official at the Overseas Development Administration, the government office which now has responsibility for the Crown Agents, said the body would be "entirely commercial in its approach, and will be expected to make a return". Profits, however, would be ploughed back into the agency. It will answer to a board of directors who will be selected from a cross-section of its users – including overseas aid agencies and exporters.

"By not exposing it to the pressures of shareholder interests, it will be able to act more easily in its own interests, and in the interests of its clients in the developing world," the administration added. Privatisation will create a structure similar to that of the health insurance groups PPP and Bupa, the motoring organisations the AA and the RAC, and the British Standards Institute.

Overseas aid agencies – in particular Japan's national aid agency, which has in the recent past used the Crown Agents extensively to handle its procurement – lobbied the British government against outright privatisation, arguing that this would imperil the "honest broker" status of the Crown Agents.

For Mr Peter Berry, managing director of the Crown Agents, escape from bureaucratic government procedures will come as a relief. "When you need ministerial consent to do anything materially different from the act that governs us, then there is 'a stop in the mind' against doing it," he said. "It will be very different going back to a board. There will be no disincentive to be pro-active. Accountability will be closer to home."

It will also be easier to demonstrate to doubters that it is independent of government pressure to "buy British".

The agency, founded in the 1830s, now works in 130 countries. Last year it generated only 27 per cent of its £37m income from the UK.

Its leading clients are the World Bank, the European Community, the United Nations and Japan's national aid agency. It is at the heart of organising aid convoys to besieged towns across Bosnia.

It is training staff in seven Russian procurement agencies across the agriculture, energy, health and transport sectors as part of a $600m World Bank initiative. It is co-ordinating a

David Dodwell predicts more leadership influence for overseas users of the agency

two year EC-funded programme to train 4,000 bankers at the new International Finance and Banking School in Moscow.

As well as aid convoys in Bosnia, its emergency logistics management teams have supplied medical supplies to Albania, procured and distributed emergency pharmaceuticals to Romania, and delivered baby foods to needy cities across European Russia and western Siberia.

This increasingly multinational spread of activities played a large part in the decision to hive the agents off to the private sector.

But the pressure against privatisation was not unanimous. Mr Rajhavan Srinivasan, head of the World Bank's procurement division, in Washington, said some of the bank's staff would like to see both the Crown Agents and Germany's GDZ, its main "competitor," transferred to the private sector so that independence would be transparent and competition boosted.

"I don't have strong feelings over their being privatised," he said: "I have been dealing with them for 20 years, and I know they are highly professional, and their integrity is beyond question." He hopes independence from government will lead to "a less bureaucratic and clerical way" of operating.

the agency has seen dramatic development of its role in the recent past, particularly in eastern Europe and the former Soviet Union. It is, for example, training staff in seven Russian procurement agencies across the agriculture, energy, health and transport sectors as part of a $600m World Bank initiative.

As an independent foundation, the Crown Agents will no longer be limited to serving aid agencies and other public bodies, as its present constitution dictates.

"Newly established private corporations in the developing world, which used to be our clients when they were government-owned, are coming back to us and asking if we can continue to supply them," said Mr Berry. "Under our present constitution, we have to say no."

What will be most important for the restructured agency is its reputation for impartiality in advising on the cheapest and most efficient way of supplying projects. As Mr Berry said: "If we couldn't hold our heads up and prove our independence, we would not be the large procurement agency we are today."

Investing in France

Agencies are preparing campaigns for the first wave of a privatisation drive, writes Alice Rawsthorn

It sounds like a marketing nightmare. Over the next few days André de Marco must finalise the preparations for one of the most important product launches in his company's history. Yet he still does not know exactly what he will be selling, or when it will go on sale.

The product is a block of shares in Rhône-Poulenc, the flagship French chemicals company, the French government hopes to sell this autumn in the first phase of its privatisation drive. Unfortunately for de Marco, Rhône-Poulenc's director of communications, the economy ministry will wait until the last moment to announce the size and date of the sale.

"With an ordinary marketing campaign you are able to choose the best possible time to make sure that conditions are right," he says. "But we have no control over the timing of our issue, or over whether the government will sell its full 43.4 per cent stake. All we can do is make sure that everything is ready to go anytime from early September."

Rhône-Poulenc is not alone. Banque Nationale de Paris (BNP), the other first-phase candidate, is also putting the finishing touches to its marketing campaign. Even companies earmarked for sale in the second phase, likely to be early next year, such as the Elf Aquitaine oil group, are now starting to plan the marketing of their issues.

These companies not only need to ensure that they attract enough interest to sell all the shares, but that the stock ends up in the right hands to create a stable base of shareholders. The marketing of the issues will play a critical part in this process through mainstream advertising to the public and through specialist communications to institutional investors in France and other countries.

The specialist programme is likely to be the most straightforward. Most of the privatisation candidates are large, international groups which have a small percentage of their equity in public issue. They have already invested heavily to build up a core of institutional shareholders and to ensure they are well known in the international financial community.

"If we want to build a well-balanced shareholder base we have got to attract more individual investors"

"French companies have made tremendous progress in communicating with international investors," says Joe Hall, head of international sales at Warburg Securities in London. "The first catalyst was the mid-1980s privatisation drive, but things have really improved over the last three or four years when foreign institutions have become major investors in France."

The most expensive, and challenging, aspect of privatisation marketing is advertising to the public. There is no real tradition of private share ownership in France and the 1987 stock market crash brought the mid-1980s vogue for equity investment to an abrupt halt. The economics ministry says it may consider a follow-up to this summer's successful Balladur bond advertising campaign to encourage investors to convert bonds into privatisation shares, but it has no plans to promote share ownership as such.

This means the privatisation candidates must not only sell themselves, but also try to popularise the concept of share ownership.

Elf has already started. It has expanded the corporate advertising campaign originally planned for this summer. The campaign, devised by the Euro-RSCG agency, features posters of childhood snapshots of mythical Elf employees. The company has added an extra picture of "Louis, an Elf shareholder" to highlight the forthcoming share sale. Elf is preparing to choose an agency to handle the main privatisation campaign. However, its scale will be determined by how much of its 50.7 per cent stake the government decides to sell. If the issue is small Elf may concentrate its efforts on the institutions as it did for the partial privatisation.

Childhood snapshots of mythical Elf employees are part of its campaign 'Today, Pascal is head of an Elf oil platform'

BNP caused a stir in the Paris advertising world last week by choosing BDDP, one of the most dynamic new French agencies to have emerged in the 1980s, rather than its long-standing agency, Euro-RSCG. The choice of BDDP, which worked for Michel Pébereau, the BNP chairman, on CCF's privatisation advertising, is expected to herald a new image for BNP, one of France's most traditional banks.

The group plans to reinforce its advertising efforts by an extensive direct mail campaign to its 60,000 employees and 4.7m account holders to familiarise them with Pébereau's new strategy and to encourage them to buy its shares.

Rhône-Poulenc last week helped to console Euro-RSCG for the loss of the BNP account by appointing the agency to handle its privatisation advertising. Like Elf, Rhône-Poulenc's efforts will depend on the ultimate size of the issue. One of its main aims is to attract more individual investors. It currently has 100,000 private shareholders who own less than 1 per cent of its total equity.

"If we want to build a well-balanced shareholder base we've got to attract more individual investors," says de Marco. "Privatisation provides an ideal opportunity. But it won't be easy. Most people in France know the name Rhône-Poulenc, but they're not really sure what we do."

Selling Atlanta to the world

Atlanta, the leading business city of the southern US, has become the first city to promote itself through a worldwide television marketing campaign.

The city is attempting to lure foreign investment through a series of TV advertisements to be shown on the cable TV service CNN International. The campaign has been prepared by BBDO, the US-based advertising agency, for the Atlanta Chamber of Commerce.

Atlanta has long had a reputation for self-hype. In the 1920s it was the first city to advertise itself in print.

In its latest campaign Atlanta has targeted European and Asian business audiences with 30-second TV adverts. CNN, widely available in international hotels, started showing the adverts last month. They are screened in the early morning, as business travellers prepare for their day, and in the early evening, as they return to their hotels.

Atlanta's three-year campaign, costing at least $1m, (£676,000) aims to build on the publicity that will come when Atlanta hosts the 1996 summer Olympics.

"The Olympics give us a unique window of visibility," says Bill Crane, the chamber's marketing director.

The initial advert simply tries to establish an identity for the city, according to Tod Martin of BBDO. It tackles international unfamiliarity with Atlanta by showing it as home to companies such as Coca-Cola and Delta Airlines. As the Olympics approach, the adverts will increase in number and length, says Crane.

Atlanta is unlikely to be the last company to promote itself around the world on TV. The possibilities of this kind of marketing are just being discovered with the advent of worldwide television broadcasting networks such as CNN and BBC's World Service Television.

Barbara Harrison

Italy plays by new rules

A code of conduct to police the bidding procedures for state advertising contracts has received a mixed reception, reports Haig Simonian

Shaken by the involvement of some of their most prominent members in alleged kickbacks to politicians, in return for public-sector campaigns, Italy's leading advertising agencies have drawn up a new code of conduct to protect against future abuses.

But some advertising executives fear the new rules, which will create a supervisory body to police bidding procedures for the contracts, could stifle, rather than encourage, competition. And not all are convinced that self-regulation and more open bidding are enough to regulate Italy's advertising industry.

"The aim is to create a level playing field," says Alberto Contri, chairman of the association of leading agencies. Contri, elected chairman earlier this year, speaks with some authority. Medicus Intercon-Feel Good, the agency he runs, specialises in publicity for the pharmaceutical and health sectors, where most of the alleged abuses occurred.

The new code of practice aims to remove any scope for corruption by ensuring that all future state advertising campaigns be solicited exclusively through public tenders.

It has already attracted attention in other countries where uncompetitive business practices, such as "voluntary" contributions to a politician's electoral expenses, are believed to take place.

Foreign interest has been reinforced by the arrests of executives at Italian subsidiaries of at least two of the world's leading agencies. Even more embarrassing for the agencies is that the inquiries, which relate to alleged kickbacks to win business in the health ministry's big anti-Aids campaign, involve such a sensitive health issue.

The allegations emerged last month after Giovanni Marone, secretary to a former health minister under investigation for alleged political corruption, began to reveal to magistrates how some ministerial advertising contracts were won.

According to Marone, whose testimony has been widely leaked, some agencies paid hundreds of millions of lire to Francesco De Lorenzo, Italy's former health minister. Disguised as "campaign contributions", the payments were actually kickbacks to win lucrative public sector advertising contracts.

De Lorenzo, who resigned earlier this year after being put under investigation for an alleged jobs-for-votes scam in his native Naples, is now being investigated for a much wider range of allegations of political corruption, including kickbacks from some of Italy's leading drugs companies.

Marone's revelations led to a string of arrests in the advertising industry.

Those involved included the former and current managing directors of the Italian subsidiary of Young and Rubicam; Claudio Maria Masi de Vargas Macciucca, the managing director of Publicis FCB MAC Italy, the Italian joint venture of Foote, Cone & Belding and Publicis of France; two directors of Armando Testa, a Milan-based agency, and an employee of DAPS, a local media buyer.

Enforcement of the new code of practice is to be supervised by a special committee, comprising judges and senior advertising and public relations executives. Agencies will be required to inform their trade association what tenders they intend to bid for, and the supervisory committee will examine all tenders to ensure they are suitably transparent.

Should an agency suspect a contract is being awarded unfairly, it must denounce the proposed campaign to the supervisory body. The same applies in cases where some of the terms, such as abnormally short preparation periods to submit proposals, suggest the bid might be rigged. The aim, according to Contri, is to ensure contracts are won on the basis of "real factors, such as professional competence, experience and the nature of the services offered".

But do the rules go far enough to stamp out malpractice? Public tendering has been proposed as a panacea in other Italian industries, such as construction, where it is alleged that big kickbacks are regularly paid to politicians to win business.

"Public tenders may help to eradicate malpractice in industries, such as building, where the bidding criteria are relatively clear and contracts can be allocated on objective grounds, such as cost," says one prominent advertising executive. "But it's harder to apply the same standards to advertising."

Another observer warns that even public tenders can be rigged. "If enough people want to cheat the system, they can do it," he says.

The new rules should at least stamp out some of the most shocking excesses of the past, such as limited private tenders, with the winner decided in advance. They should also eliminate the so-called "public" bids, where odd rules, such as abnormally short preparation times, may have masked similar malpractices.

Whether they will be enough is still not certain.

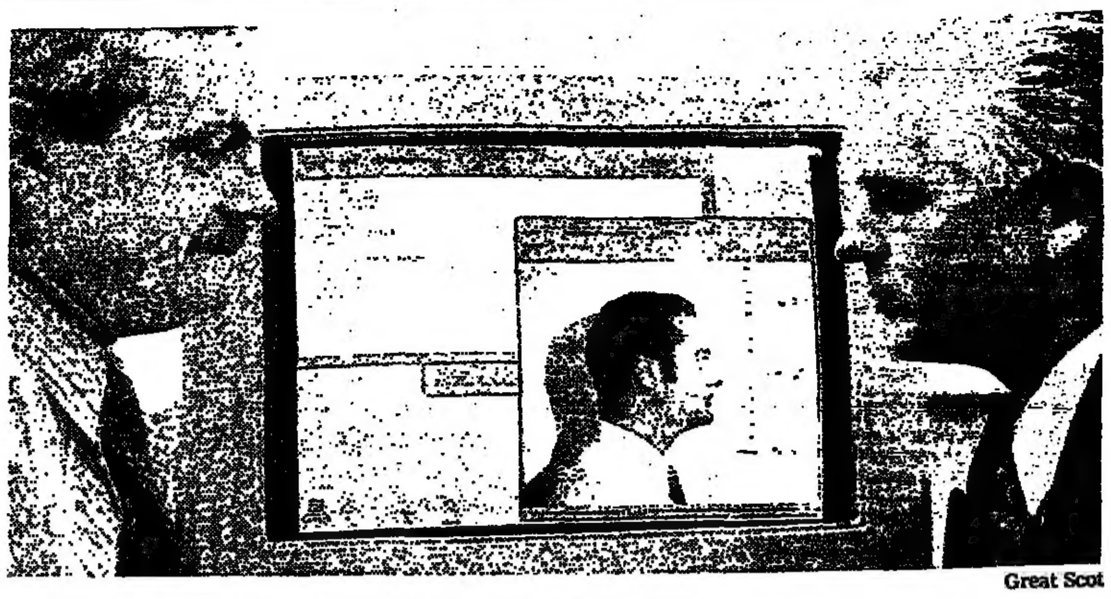
TECHNOLOGY

NATURE OF BUSINESS
Central Scotland Police is the second smallest of Scotland's eight forces. With its headquarters in Stirling, it covers an area of approximately 1,000sq miles between the Forth and Clyde estuaries. It is divided into two territorial divisions and runs six local command units.
Employees: Around 800, including an establishment strength of 649 officers and 150 civilians.
Crime statistics: Reported crime within central region has shown a decrease to April 1993 of 1,974 crimes, 7.9 per cent down on the previous year, with a detection rate of 55.9 per cent.
Key Personnel: Chief Constable William Wilson, Inspector Peter Watson, Trace project leader. Detective Constable Tom Newlands, *Trace development and specification*, based in Alloa.

TECHNOLOGY FILE
Software: The Trace system, Total Retrieval Administration Crimes and Events – is based on Memex *software for text information retrieval* called the Memex Information Engine. With development and implementation from Central Scotland Police, Memex has made this into a police product, Crime/Criminal Information Management System CCIMS, already used by Fife Constabulary, under the name Focis, Fife Occurrence and Crime Information System. (Trace works on PCs and Unix workstations and "bolts on" as a front end to existing databases.)
Currently all connections to other databases such as PNC2 are ad hoc, but a permanent live link with the Crown Office and the Procurator Fiscal is planned in November.
Supplier: Memex, now based in East Kilbride, was founded by Edinburgh academics, Fred Heath *and Graham Woyka, in 1979*, and was bought by microfiche supplier Microfilm Reprographics Data Management in 1991. Memex had a turnover of £1.4m in 1992-93.
Hardware: A central Sun Sparcserver 670, in a distributed X25 network with 4 Sparcstations, 2 computers, all running under the Unix operating system. It supports 320 dumb terminals, 25 intelligent terminal Sun X-stations and two PCs for imaging.
Value of system: Cost was about £900,000 with about half, £550,000 accounting for hardware and communications.

Police in central Scotland are no longer dominated by form-filling since project Trace, an IT system that allows access to a wealth of intelligence, finds **Claire Gooding**

Detectives of the database



Tom Newlands (left) and Peter Watson, face to face with the new computer system

AT WORK

It's a bad week for criminals in central Scotland. Coming online in Alloa is a computer system that can take information in any form available – paper, voices, video frames, mugshots – and search for coincidences and common factors across a series of crimes.

By linking with existing databases and making free-text searches across all sorts of data, the police can make the most of even fragments of information, such as the *colour of a van and just one letter* of its number plate. The Criminal Intelligence Application is the second phase of a project called Trace, which has already cut paperwork in half since the first phase went live at the end of March.

Now it is enabling the police to make connections between events, crimes, locations, even rumour, hearsay and the background knowledge that comes from years of experience. Walk into any police station to report a lost dog, and the paperwork takes at least 20 minutes. Form-filling is the tedious but essential part of policing and it steals time from activities the public sees as more important: patrolling and solving crimes.

Once a charge is made, the paperwork escalates and accuracy is vital: poor paperwork provides legal loopholes. Central Scotland Police confirmed their worst suspicions when investigating procedures two years ago – the same information was often filled in up to 27 times on various forms.

The research team interviewed nearly 300 officers of all ranks, with experience ranging from six months to nearly 30 years. The examination included the end-purpose of the paperwork: what elements were vital for the Criminal Justice System, the Crown Office and other ultimate users outside the police.

"I was looking for a system that would make the front line policeman's job easier and cut down on the paperwork they are inevitably required to do," explains William Wilson, the chief constable of central Scotland. He was not alone in feeling these needs would not be met by "off the shelf" solutions available from the main suppliers of police systems, including McDonnell Douglas and Bull.

Wilson sits on the Police National Computer board and represents Scotland on the police Technical and Research Committee. In his previous job as deputy chief constable in Fife, his interest in technology led to a joint development with Memex, whose software he had discovered on the police grapevine.

The software, called the Memex Information Engine, enables users to make fast, free-text data retrieval (Textract) across a number of different databases. Several systems already help the police in various areas: PNC2, the Police National Computer and Holmes, used to coordinate significant investigations.

Central Scotland wanted a system that would give them access to all these existing resources and their own databases, cutting out repetitive paperwork. They got that and more – a system that could provide real "intelligence" and the ability to make connections.

For police use, the system has been tailored into a product known as CCIMS – Crime and Criminal Information Management. The central Scotland implementation, Trace, goes one step further according to Wilson. "It gives us the edge in terms of technology. I like to think it's a new era for policing."

The project required special funding and an investment in manpower, involving two senior inspectors for two years.

The development principles were that everyone on the force should be able to use the system, (unlike the PNC2 computer), and that it should adhere to all existing standards, both technical – such as Gosip, the communication standard – and those used internally in the police and justiciary. It also had to provide 24-hour access to existing databases and be user-friendly for first-time users.

Text retrieval often relies on the text being pre-indexed for keywords. Free-text retrieval allows *any word or part of a word, even an* approximation of it – known as a "fuzzy match" – to be sought and matched.

The Memex Textract software gets round the problem of slow retrieval due to storing enormous amounts of information by compressing data, using special codes and algorithms. Its speed enables it to capture new data generated by everyday incidents and police work and connect it with other available sources.

"People are restricted by budget, but the beauty of this solution is that it doesn't force you to abandon investment or change direction, because it can work with almost any existing database," says Wilson.

Inspector Peter Watson has led the Trace project since the initial research. "One of the overriding considerations was that it had to allow expansion with ease. The system isn't just representative of the force workload, it is the workload. It's been designed to facilitate everything the officer does," says Watson.

The next step, coming into force this week, is a multimedia extension, the Criminal Intelligence Application, which brings video clips, paper records, photographs and voice data onto one screen.

One demonstration of the extensions uses a real example – a search based on a recorded telephone conversation, reported by a radio amateur. The name of a local wood, a villain's nickname and the mention of a manhole cover, became search elements that put the police onto a leading drug ring. "Without the Textract facility, that tape might have gone into someone's drawer as interesting but useless data and never been *exploited for* what it could tell us," says Detective Constable Tom Newlands, a member of the Trace team. "It's very flexible: it can take its data from any media, any source, from old black and white prints, to electronic-input," says Newlands. "It can also compress a PNC2 dump to one fifth of its size."

A screen menu details every form-filling task possible: results of breathalyser tests, statistics reports, property crimes, lost and found register. A high proportion of information is available through default, so that certain items appear on the screen automatically, saving keystrokes and increasing accuracy. Every address and post code in the area is on file. When in doubt, a user can "point and pick" from a look-up table of options, such as crime codes.

Wilson does not plan an assessment until the system has been in place a year, but benefits are already visible, such as the few seconds it takes to check an address.

According to Inspector Tom Sneddon, an everyday end-user of Trace at Alloa, a lot of information that was not immediately relevant used to be lost. "The problem is that you never know exactly what might be useful. Now it just sits there – it's there when we need it."

Benefits in local information-sharing with Fife are also apparent, and Wilson is keen to see the system adopted elsewhere: "I never envisaged it being as comprehensive as it now is. We started with log entries and basic crime reports. Now we've gained a distinct head in terms of technology and the individual officers are the main beneficiaries."

■ BUZZWORDS

Free-text retrieval describes the storage, search and retrieval of large quantities of word-based data, now also known as "full information management".

A soundex search retrieves all words of the same sound but varied spelling. A fuzzy match allows a search to be made on an approximation of a word.

A wild card search looks for any number of characters which might explain an indistinct word: Torloisk, recorded in the drugs raid, was found to be the name of a wood by searching an intelligence database of previous drug cache locations.

CONSULTANT'S CRITIQUE

Code books conventionally hide information. The Memex Information Engine uses them to retrieve it. In the system, every word in a document can be reduced to a code of between one and three characters. If the average word has six letters there is a compression of about 3:1. This reduces the space required to store the information.

When looking for specific words in the database, the search program examines the code book for each document. If the words do not appear at all in a document there is no need to look at the full text. This speeds things up. Huffman encoding, a more advanced version of this idea, has been around for decades. Nearly every leading data compression utility uses some variant of it. Memex has spotted how encoding can be used to real advantage in searching – the heart of document management.

Traditional document management systems use indexes. Important words – "keywords" are identified and these are stored like labels to aid future searches. Often this is done manually and it is error prone. The Memex system searches more effectively because all the words in a document act as keywords. A simple example was a hunt for a car used in a crime. The Holmes database produced 40 suspects. Trace turned up a further two that had been missed. Trace has allowed Central Scotland Police to integrate information from a wide range of sources. The Police National Computer cannot search for car registrations when one letter is known. Trace can, by searching a dump of car details taken from the PNC. Data from many sources can be combined to extend the searches.

I liked the graphical front end, especially the integration of voice and video. Memex seemed to have spent time getting close to the police and tailoring the system to their needs. Everyone appeared to like the system and said it would help them do their job better.

Kevin Grumball
The author is a consultant at Software Design and Construction, of Milton Keynes

PEOPLE

SIR BOB REID, the chairman of British Rail, is to monitor standards in England's further education colleges. He will be the inaugural chairman of the Further Education Quality Council, a council set up under the government's auspices to ensure that adult education institutions are spending public money well and efficiently.

Further education is somewhat unlike British Rail in that the government has ambitious plans to expand it over the next few years as part of its move to increase the numbers of students who stay in education after the age of 16.

However, like British Rail, the colleges have recently undergone a period of turmoil as they were transferred from local education authorities to direct government control at *the beginning of April*.

By appointing Sir Bob, who can expect to find the post demanding albeit part-time, the Further Education Funding Council for England also *hopes to signal its determination* that FE colleges will be guided by the needs and demands of industry. Four other industrialists – who have yet to be chosen – will sit on the council, along with five members from the world of further education, and one student.

Stevens takes the stage at Carnegie

Simon Stevens, head of international equities at fund managers Invesco, has been headhunted by Carnegie Group to run its UK arm, Carnegie International; he replaces Lars Bertmar, who remains the broker's group chief executive.

Invesco, which has been through a turbulent few years, is just beginning to repair its UK operation, and, after a wave of departures, seems to be stemming the staff exodus. But 41-year-old Stevens (right) says "it is all about opportunities and how well they fit your aspirations and character". He has a high respect for Bertmar as "a thinker" and approves of *his strategy of concentrating* on niche markets, in this instance particularly southern Europe.

Carnegie has itself suffered some upheaval. At the end of 1991, Bertmar, a former corporate financier at Svenske Handelsbanken, sacked the three senior managers of Carnegie International, and took respon*sibility for London himself.*

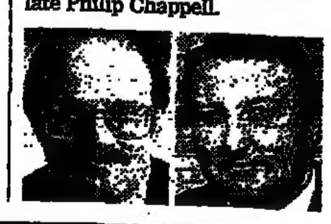
Stevens' job will be to market the services of the analysts around Europe, "to make sure the product is appropriate for the UK market" as he puts it. The Spanish and Portuguese teams already top the Extel ratings in their country sectors. Bertmar also has ambitions to build a corporate finance capability in those countries, from Spain to Turkey, where there is brokerage expertise.

While he has not worked inside a merchant bank's corporate finance division, Stevens spent a couple of years in the corporate planning department of Grand Metropolitan and held a similar job at Ocean Transport and Trading.

Stevens may soon find himself working for a new owner, as Carnegie's parent, the troubled Swedish *Nordbanken, said* more than a year ago that its profitable brokerage subsidiary was up for sale in order to allow it to concentrate on domestic banking business.

Non-executive directors

■ Mike Kitchiner, a consultant with the European Centre for Plastics in the Environment and former manager, environmental affairs – polymer division, as chairman of SAVE A CUP on the retirement of Derrick Skinner.
■ Neil Lewis, deputy chairman of Oriel Group, at CATTLE'S HOLDINGS.
■ Roger Carey, group md of Slough Estates, at TR PROPERTY INVESTMENT TRUST.
■ Jean Tyrrell, having retired as executive chairman at the age of 75, at SIRDAR.
■ Neville Bain has retired from LONDON INTERNATIONAL GROUP.
■ Alan White, a former director of Sir Robert McAlpine, as chairman at BARNSLEY HEWETT & MALLINSON.
■ David Winterbottom, former *chief executive at Evode*, as chairman at ATCO-QUALCAST.
■ Richard Deslandes has resigned from BERRY STARQUEST.
■ Stephen Alexander (below left), md of J Lyons & Co, at DEVRO INTERNATIONAL.
■ Rohan Courtney (below right), chairman of Sterling Trust and of Swaine Adeney Brigg and a former chairman of the British Overseas Commonwealth Banks Association, as chairman of INTERNATIONAL PACIFIC SECURITIES; he succeeds the late Philip Chappell.



Cinema/Nigel Andrews

Much ado about glamour

A funny thing happened to Kenneth Branagh's Benedick and Emma Thompson's Beatrice on the way to Messina, Sicily, the setting for Shakespeare's *Much Ado About Nothing*. They were waylaid in Tuscany – much prettier – and decided to film there. William Shakespeare, technical adviser emeritus, murmured grudging approval from the grave; parched southern plains were replaced by vine-clad northern hills; and signed-up Hollywood stars Denzel Washington (Don Pedro), Keanu Reeves (Don John) and Michael Keaton (Dogberry) could be made to feel at home in Italy's answer to California's Napa Valley.

Much Ado About Nothing is a travesty, but oh what a lovely one. Having found found Branagh's *Henry V* near-unsittable-through as an essay in penurious perversity – all that Olivier pageantry expelled, all those Olivier-dumped conspiracy scenes shoved back in – I find myself all for perversity when it is as glamorous as this. Filmed in eternal sunshine in the Villa Somewhere-or-other, the Bard's darkest comedy is shaken about like glittering gold foil. Even the melodrama scintillates. Poor Hero (Kate Beckinsale), framed for infidelity by wicked Don John (Keanu Reeves in black leather trousers) and spurned by fiancé Claudio (Robert Sean Leonard), takes the only course a young gel could in those days (the days of convoluted Shakespearean subplots) and pretends to have died. But played for serio-comedy by Branagh's mixed-race thespians, even this ancillary tale takes on a loopy splendour. We are so colourfully discombobulated by the anything-goes casting – Don Pedro a black American, Claudio a white American and Hero's father a true Brit (Richard Briers) – that our minds home in on what seems by comparison the darkly steadfast reality of the story.

MUCH ADO ABOUT NOTHING (PG)
Kenneth Branagh

IN THE LINE OF FIRE (15)
Wolfgang Petersen

LE SAMOURAI (PG)
Jean-Pierre Melville

BENNY'S VIDEO (18)
Michael Haneke

As for Benedick and Beatrice, there is little scope for improvement. Producer-director-star-adaptor Kenneth Branagh, after a talent search the length and breadth of his living room, cast Emma Thompson as the haughty love-spurning lady. The Oscar-fresh actress repays the kindness with a delicious performance: it manages like fine wine to be at once rich, intoxicating and amused at its own presumption. Branagh himself, bearded, busy, bemused, his doughy face improved by baking in the sun, tosses the lines about with as happy a comic dexterity as he juggles with an anachronous deck-chair.

The Americans span a gamut from the excellent (Washington) via the adequate (Leonard) to the awful (Keaton's hoarse-voiced Dogberry, Irishing away like Barry Fitzgerald with laryngitis). But this film is, in the best sense, a party. All who come are served; even the odd bore lends variety (provided he is odd enough); and if, dear reader, you feel there can be no final excuse for turning a Shakespearean play into a star-studded Tuscan travelogue, I suggest that you go to see the film and get mugged by its magic as I did.

★

The two greatest landscapes in American cinema are Monument Valley and Clint Eastwood's face. That scorched, beaten-leather physiognomy is back again in *In The Line Of Fire*. It fronts a plot more catchpenny than the majestic *Unforgiven* – guns, chases, psychos, Presidential assassination bids – but just as astonishing for its further revelation of Clint the icon.

He now resembles some photogravure from the old West, fissured with facial fault-lines and landmarked with craters and ridges, who has been inexplicably spirited to new Washington. The Eastwood voice goes with the Eastwood face: a cracked, caressing whisper sandpapered by eternity. This man surely spent his life standing at the edge of deserts, his features sculpted by the sandstorms, his voice by the dehydrating winds?

But no: he has spent his life on the Californian coast where the only deserts are inside film producers' brains. *In The Line Of Fire* is medium-good Clint fare. That is to say, it has an idiotic plot redeemed by the action set-pieces, the one-line wisecracks and Eastwood himself. He is a White House-attached Secret Service veteran who longs to redeem his lapse back in 1963 when he failed to stop the bullet that killed JFK. (Note the dawn of the *Failed Presidential Security-Man* movie: see also Kevin Costner in *The Bodyguard*, haunted by the bullet that passed him to hit Reagan).

Waylaid in Tuscany: Emma Thompson and Kenneth Branagh in Much Ado About Nothing

John Malkovich, with cupid lips and psychotic purr, is the would-be assassin of the new President, and J.M. and our hero spend much of the movie exchanging verbal venom down a telephone line. This allows us to watch Eastwood silently reacting to Malkovich's voice-off taunts and to savour the star's parchment-textured phiz writing palimpsests of silent emotion onto the screen. Later the film erupts into the streets and becomes far less scenic. After Clint the Movie here is Hollywood the Puppet-Show. Everyone chases everyone else down alleys, over rooftops and into assassination-ready VIP banquets where the screams of the guests lie in waiting along with the silver-covered entrées.

Germany's Wolfgang Petersen (*The Never Ending Story*, *The Boat*) joins the new generation of Hollywood action directors drafted from Europe. Like Paul "RoboCop" Verhoeven and Renny "Cliffhanger" Harlin, he has a mechanistic efficiency in action sequences and a Nordic delight in knife-twisting in scenes of emotional stress or suspense. Would an American director, apart from honest Clint himself in *Unforgiven*, portray Eastwood as quite such a racked Grunewald presence? Or encourage the scene where our hero breaks down in tears at the memory of that day in Dallas? After this, Eastwood looks as if he could go straight into the histrionic heavyweight ring and give us Buchner or Strindberg.

★

Eastwood, like all iconic screen heroes, started impassive. So did France's Alain Delon. We see him young in Jean-Pierre Melville's reissued thriller *Le Samourai* (1967) where our (anti)hero is a walking mannequin in trenchcoat, black hat and charismatic scowl.

Delon imparts a perverse, unyielding glamour to this plot about a gunman, a girl (Nathalie Delon), another girl (Cathy Rodier) and a police inspector (François Perier, fiendish, funny), all playing existential cat and mouse as if they have just read Conrad's *The Secret Agent* in French. Delon kills for hire; he keeps a caged budgerigar; he steals cars; he wears secret smirk. These are all anti-social activities, but they are rendered magnetic – nay more, mystical, profound, inviting – by that strange ability movie stars have to make "Keep Out" signs read like "Come In".

As in Eastwood's movie, nothing measures up to the central presence. Jean-Pierre Melville is a modish name in cinephile circles and still deserves respect for films like *Les Enfants Terribles* and *L'Armée Des Ombres*. But *Le Samourai* is the fag end of first-generation French *film noir*: a shadowy, blue-hazed teaser that twists and twirls its little plot of betrayal and counter-betrayal amid sets and costumes that themselves betray the incongruous dawn of 1960s hedonism.

Benny's Video, by Austrian film-maker Michael Haneke, has an impassive criminal for our own times. A boy with a bedroomful of video equipment "motivelessly" kills a young girl: on camera, with a slaughter-house gun, to the accompaniment of her screams. His parents later see the offending video and are shocked rigid. But they try to sweep away the evidence for Sonny's sake. Then, weeks later, Sonny thinks, "What a perfect opportunity to sweep *them* away."

This bleak, mordant, Ian McEwan-ish story is spun out to 105 minutes: a length at which it starts to seem less like a darkly ingenious fable than a single meretricious idea surrounded by quantities of narrative cladding. Wait for *Benny's Video* the video, and be prepared to use the fast-forward.

The Edinburgh Festival

Schubert and Janáček operas

This was a competition Janáček was always going to win. In the combative world of opera the festival's two main featured composers had opposite experiences: Schubert retired hurt aged 25 after a number of youthful failures, while Janáček went on to compose a series of great operas in his sixties, which rank as his most lasting achievement.

No fully-staged operas by either of them feature this year in Edinburgh's programme (an important omission in Janáček's case). Instead, there was an intriguing evening, which presented two rarely-heard operas in concert – Schubert's *Die Freunde von Salamanka* and Janáček's *Sárka*. For opera-lovers this may have seemed a raw deal, but it is always worth taking a risk with rarely-heard operas in case they hold untold delights.

Janáček thought *Sárka* was a good piece himself. He wrote it in his early thirties, which makes it one of his earliest works to survive, revised it, failed to get it performed, revised it again late in life, and finally saw it reach the stage as a 70th-birthday tribute. It only lasts an hour, but into that time an epic in miniature is compressed.

The opera takes place way back in Czech mythological history. An army of warrior women is roaming the land in protest against male domination, beating the men at their own game and causing consternation in the male camp at the daring exploits of their boldest fighters. No, Janáček is not about to raise his voice in the cause of women's rights; his interest had been taken by the nationalist undercurrent of the plot, which can be read as a call to emulate the heroes of Czech mythology.

No doubt that is why the music is so impassioned. The score proceeds in fits and starts, but its ideas are consistently strong, vivid, uplifting, because the composer wanted *Sárka* to make an impact. Among its best moments are a love duet built of disjointed musical motifs in the mature Janáček manner and a final act (all of 15 minutes long) which is a Wagnerian threnody for the fallen hero. The interest rarely slackened in this lively performance by the BBC Scottish Symphony Orchestra under David Robertson.

It was also well sung. Sárka, the warrior maid who ambushes and murders the man whom she then decides she loved, looks potentially a beast of a character, but Helena Kaupová sang her music with calm and dignity. William Kendall brought some strength to the hapless Ctirad; the supporting roles were well taken by Christopher Ventris and Neal Davies.

Next to this, the 18-year-old Schubert's *Die Freunde von Salamanka* (wisely performed first) is an apology for an opera. Nice people, an inoffensive story, no dramatic tension whatsoever and music which is so charmingly insubstantial that one puff of the Janáček blew it all away. Despite a decent cast of middle-ranking British singers, this concert performance showed that at 90 minutes, it is far too long. Wise young Schubert to give up opera and move on to better things.

Richard Fairman

Transfixed by Berkoff

Edgar Allan Poe and Steven Berkoff: a marriage made in Heaven or perhaps for some spectators Purgatory. Both favour the wilder side; both plough their own imaginations; both choose the Gothic and place style before content. So Berkoff performing Poe's *Tell Tale Heart* is an awesome experience.

The silences, and the slow drawing out of certain of Berkoff's favourite words, like "stealthily", are only matched by his rat-a-tat explosions of action. As the mad man who murders the miser to avoid the stare of his fishy blue eye, Berkoff is as well matched as a sweater to Edinburgh. And as the drama proceeds from the slow laborious preparations for the killing to the rising, insistent, reproachful beat of the dead man's heart as it pounds from its hidden grave, so Berkoff winds up the audience to the pathetic climax. Sometimes the words are strangulated beyond meaning; but the body never fails to speak loudly and Berkoff even makes a virtue of mime. No one climbs an imaginary staircase better; no one opens the door with more dread.

This is how Dickens must have transfixed an audience at his public readings and if it owes more to Victorian excess, to the Henry Irving School of acting than to sophisticated realism, that is spot on for Poe. Berkoff brings death to life.

The other two monologues in his show at the Assembly Rooms are superficial stuff, some rhyming nonsense about a failing actor, and an East End tough singing the praises of his killer dog. But Berkoff uses his physical presence to more effect than any rival and he makes a convincing case for his self-proclaimed if slightly odd genius.

Twenty-three year old Crispin Whittell has hardly edged into the public limelight as a dramatist but this year's *Killing Him* (The Pleasance) adding greatly to the reputation he established last year with his play *Success* must suggest a great future.

Black (or White) Wednesday is already an important historical date and the tensions, both private, political and philosophical, that it generated are superbly captured in Whittell's play. The dialogue cracks along, with City slang, designed to make the awful seem palatable, running happily with spouts of poetical lyricism. The style is so sharp that we take defeat and murder happily in our stride. The four characters screw each other and themselves to perfection but the moral survives beneath the wit in the audience's total identification with the only decent character, an unemployed birdwatcher. Wonderful acting; an unexpected treat.

Antony Thorncroft

Opera at Broomhill/David Murray

Jonathan Miller's 'Ariadne'

Besides its stepped lawns and gracious vistas, Broomhill – Sir David Salomon's old country house near Tunbridge Wells – boasts its own little Victorian theatre, virtually unused in this century. Four years ago the tenor Kim Begley discovered it, and an idea was born. Since 1991 the Broomhill Trust has arranged summer seasons of concerts and "community opera", and this year its First International Opera Course too. Meanwhile the theatre has been carefully refurbished, with a fine orchestra pit concealed beneath the stage (as at Bayreuth). Somebody must be thinking, irresistibly, in mini-Glyndebourne terms.

On the strength of Broomhill's current *Ariadne auf Naxos*, that is not unrealistic. Strauss's opera is on just the right scale for the place: it was a pleasure to discover yet again how much more happily *Ariadne* plays in a small house, with the reduced band for which he wrote so ingeniously. (Bigger houses have to fatten the string-sections, at the sacrifice of a certain appealing frailty – tackiness, even – in the orchestral sound.) But it is no kind of piece for mere students; and in fact most of the participants here are full-blooded young professionals, for whom the Broomhill "course" must count less as a study-camp than as an invaluable public showcase.

The Broomhill music staff – headed by Jean Mallandaine and Courtney Kenny, both of them distinguished keyboard assets (celesta and piano) to the excellent Britten Sinfonia in the pit – have done their casting cannily and well, with satisfying results. The cast I heard on Monday was more than creditable, but there is a whole alternate cast as well: presumably not just a second eleven, since they were scheduled for the Royal Gala performance on Tuesday. I wish I could have heard them too. The quantity of well-schooled operatic talent these days is astonishing.

Jonathan Miller is the director, far more at home with the *Ariadne* comedy than he was recently with the *verismo* melodrama of Giordano's *Fedora* (for Bregenz and Vienna). If Mark Bailey's vaguely Edwardian "designs" seem mostly cobbled together from rented costumes and the theatre's own faded backdrops, they supply all that is needed – where the last Royal Opera production provided an ultra-lavish, comedy-killing excess of everything, and the last ENO one a glum hi-tech mess. It *matters* that the *Ariadne* opera-within-an-opera is meant to be put on almost impromptu, in a Viennese parvenu's *Stadtpalais*.

Strauss and his librettist Hofmannsthal meant their *Ariadne* o.-within-an-o. to be a farcical confrontation between lofty *opera seria* manners and earthy *commedia dell'arte*. For assiduous British theatregoers, unfortunately, the latter label has become attached to mannered, direly unfunny exercises. Miller has had the good sense to scrap any "commedia" associations in favour of unabashed Cambridge Footlights knees-up style, and it works. The brightest of his comics, William Dazeley as Harlequin, *is* a Cambridge product, engaging enough to compensate for his somewhat gruff, un-tender delivery of "Lieben, hassen", the gem of his part as Strauss composed it.

The strenuously "heroic" role Strauss wrote for his Bacchus, the god who rescues the abandoned heroine from her death-wish, flatters hardly any tenor (not since Jess Thomas, anyway), but Nicholas Buxton copes with it manfully. His Ariadne is Rachel Sparer, a very tall American soprano: intelligently musical, strongly projected (in a hard-ish timbre which awaits maturer depths), too little sensitive to her visionary words – but with delectable startled-moose reactions to the low-class *commedia* offensive. In this cast the young Composer is Teresa Shaw, upon whose heartfelt "Musik ist eine heilige Kunst!" outburst Miller has foisted rather too many donnish tics and twitches.

With their Zerbinetta, however – the Israeli-South African Sharon Rostorf – the Broomhill Trust has struck gold. If her top Es are steam-whistles, everything below those extravagant reaches is under insouciantly sexy control. In clown's trousers, somewhere between raggedy-doll and rag-and-bone man (like her *commedia* cohorts), she is artfully tough, funny and self-aware, even when Miller makes her go randy over the legs of a chaise-longue. Perhaps Zerbinetta's topmost reaches will never be quite comfortable for her; but the personality, the plucky coloratura and her wry aplomb should take her a good long way.

Broomhill (David Salomons House), Southborough, Tunbridge Wells; *box office* 0892-517720. Further performances with cast as above August 27, 31 September 4; with alternate cast, August 28, September 1, 3

INTERNATIONAL
ARTS GUIDE

■ DROTTNINGHOLM

Elisabeth Söderström, much-loved Swedish soprano, has taken over as artistic director of the world's most important 18th century theatre still in action. Figaro, a ballet-pantomime after Beaumarchais, choreographed by Ivo Cramer with anonymous 18th century music arranged and conducted by John Lanchbery, returns to the programme for five performances between Sat and Sep 4. Edita Gruberova gives a recital on Sep 3 (06-660 8225)

■ EDINBURGH

CONCERTS
In the final week of the festival, Carlo Rizzi conducts the Royal Scottish National Orchestra and Edinburgh Festival Chorus in Verdi's Requiem; Alfred Brendel plays Schoenberg's Piano Concerto with the South West German Radio Orchestra under Michael Gielen; and the Leipzig Gewandhaus gives two concerts under Kurt Masur. Libor Pesek conducts the Royal Liverpool Philharmonic in the final concert on Sep 4. Ann Murray and Philip Langridge give a late evening duo recital on Sep 1. Other recitalists include Felicity Lott, Dawn Upshaw, Anne Sofie von Otter and the Lindsay String Quartet.

OPERA
Canadian Opera Company gives its European debut on Sat and Sun with a double-bill of Bartok's Bluebeard (Victor Braun) and Schoenberg's Erwartung (Rebecca Blankenship), staged by Robert Lepage and conducted by Richard Bradshaw. Also at the Playhouse, Welsh National Opera performs Peter Stein's production of Verdi's Falstaff next Thurs and Sat, with a cast led by Donald Maxwell, Bryn Terfel, Suzanne Murphy and Claire Powell, conducted by Richard Armstrong.

THEATRE
Berlin's Hebbel Theater presents the Bob Wilson/Gertrude Stein theatre piece Dr Faustus Lights the Lights at the Lyceum tonight, tomorrow and Sat. The final week has a formidable line-up: Peter Stein's German-language production of Shakespeare's Julius Caesar comes to the Royal Highland Exhibition Hall direct from the Salzburg Festival; Berlin's Deutsches Theater brings Kleist's The Broken Jug to the King's; and the Lyceum Theatre hosts a Glasgow Citizens' production of Jacob Lenz's The Soldiers, designed and directed by Philip Prowse. For those wanting a stronger Scottish flavour, the Assembly Hall is the place to be: Tag Theatre Company is presenting its stage adaptation of Lewis Grassic Gibbon's trilogy A Scots Quair, a classic of Scottish literature.

DANCE
This has been the weak point of this year's programme. The final show is the Bill T. Jones troupe, at the King's on Sat and Sun.
● Official Festival: telephone bookings 031-225 5756. Military Tattoo: 031-225 1188. Fringe: 031-226 5257.

■ LUCERNE

Mariss Jansons conducts the Oslo Philharmonic tonight and tomorrow in music ranging from Dvorak and Shostakovich symphonies to Richard Strauss's Alpine Symphony and Tchaikovsky's Violin Concerto (Midori). Two concerts on Sat, featuring the Lithuanian Chamber Orchestra and South West German Radio Symphony Orchestra, place a special emphasis on the music of Alfred Schnittke, who is the festival's first-ever composer-in-residence. The Russian theme is also pursued by the Royal Concertgebouw under Riccardo Chailly on Sun and the Berlin Philharmonic under Claudio Abbado on Mon and Tues (with Evgeny Kissin playing Prokofiev's Third Piano Concerto in the BPO's first programme). The Bolshoy Opera Orchestra and Chorus give concert performances of Rakhmaninov's Aleko and Tchaikovsky's Yolanta and Eugene Onegin (Sep 3, 4, 5), while choral and orchestral forces from St Petersburg give the final programme of Rakhmaninov on Sep 6. Other visitors in the final week are the Taverner Consort and Choir under Andrew Parrott, the English Chamber Orchestra with Pinchas Zukermann, and the Vienna Philharmonic Orchestra, which will give concerts under Daniel Barenboim on Sep 6 and 7. For anyone wanting a break from the music, there are paddle steamers on the lake, trips up the Pilatus and Rigi mountains, and visits to the Transport Museum and Lion Monument (041-235272)

■ MONTREUX

This year's festival is the first to take advantage of Montreux's new lakeside concert hall, the Auditorium Stravinsky. Montreux has never been known for its thematic content, but this year features a series devoted to French chamber music, including rare works by Reynaldo Hahn, Vincent d'Indy and Charles-Valentin Alkan. Visiting artists include Alicia de Larrocha, Barbara Hendricks, Pinchas Zukerman, plus the Royal Concertgebouw, the St Petersburg Philharmonic and Bavarian Radio Symphony Orchestras. Ends Sep 24 (021-963 5450)

■ SALZBURG

Centrepoint of the final week is a new production of Mozart's Lucio Silla, which opened last night at the Kleines Festspielhaus and is repeated on Sat and Mon. It brings together two alumni of Gerard Mortier's Brussels regime - the conductor Sylvain Cambreling and the stage director Peter Mussbach. The cast is led by Ann Murray and Luba Orgonasova. There is also a final performance tonight of Herbert Wernicke's new staging of Monteverdi's L'Orfeo, conducted by René Jacobs, with a cast led by Laurence Dale. On Sun in the Grosses Festspielhaus, Bernard Haitink conducts Johannes Schaaf's 1991 production of Die Zauberflöte - described by Max Loppert on this page as a classic Mozart staging, with a youthfully fresh cast led by Anton Scharinger, Deon van der Walt, Ruth Ziesack and Sumi Jo. Next Mon, Georg Solti conducts a final performance of the Ronconi production of Falstaff, with José van Dam in the title role. Tomorrow and Sat, Claudio Abbado gives concerts with the Berlin Philharmonic Orchestra, while the Vienna Philharmonic plays a Bartok and Brahms programme under James Levine on Sat late afternoon and Sun morning. There are also afternoon performances in the Felsenreitschule of Peter Stein's 1992 production of Julius Caesar (0662-844501)

■ STRESA

Situated on the shore of Lake Maggiore in northern Italy, Stresa offers some high-quality artists but no programme theme. This year's festival opens on Sun with a Tchaikovsky programme played by the Royal Philharmonic Orchestra under Yehudi Menuhin. Riccardo Muti conducts the Scala Orchestra in works by Brahms, Busoni and Ravel on Sep 2, and Claudio Scimone directs I Solisti Veneti on Sep 13. There are also recitals by Tokyo Quartet, Wanderer Trio and Lazar Berman. The closing concert on Sep 16 is given by the Orchestre National de Lyon conducted by Emmanuel Krivine, with violin soloist Viktoria Mullova (Settimane Musicali di Stresa, Palazzo dei Congressi, Via R. Bonghi 4, 28049 Stresa. Tel 0323-31095 Fax 0323-32561)

■ TANGLEWOOD

For more than 50 years, the Boston Symphony Orchestra's summer home has provided a relaxed setting for concerts in the heart of the Massachusetts countryside. Tonight: recital by Omar Ebrahim, Yo Yo Ma, Peter Serkin and Emanuel Ax. Tomorrow: Marek Janowski conducts Tchaikovsky, Richard Strauss and Johann Strauss. Sat: John Williams conducts works by Tippett, Elgar and Bernstein, with cello soloist Yo Yo Ma. Sun afternoon: Janowski conducts all-Beethoven programme, with violin soloist Frank Peter Zimmermann. Next Tues: Boston Pops. Sep 2: Gerry Mulligan Quartet. Sep 3: Tony Bennett and Count Basie Orchestra. Sep 5: Lincoln Center Jazz Orchestra and Ramsey Lewis Quintet. End of season (Ticketmaster Boston 617-931 2000 New York City 212-3077171)

■ VERONA

The Arena season ends with Khachaturian's ballet Spartacus choreographed by Yuri Grigorovich (tonight and Tues). Aida conducted by Nello Santi (tomorrow). La traviata with Maria Spacagna as Violetta (Sat and Mon) and Carmen with Elena Zaremba and Michael Devlin (Sun). Arcovoli 8-9 dell'Arena tel 045-596517 fax 045-801 3287.

ARTS GUIDE
Monday: Performing arts guide city by city.
Tuesday: *Performing arts guide city by city.*
Wednesday: Festivals Guide.
Thursday: Festivals Guide.
Friday: Exhibitions Guide.

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Super Channel: *European* Business Today 0730; 2230
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Super Channel: Financial Times Reports 0630
Wednesday Super Channel: Financial Times Reports 2130
Thursday Sky News: Financial Times Reports 2030; 0130
Friday Super Channel: *European Business Today* 0730; 2230
Sky News: Financial Times Reports 0530
Saturday Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230
Sunday Super Channel: *West of Moscow* 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

The government as a 'stationary bandit'

BOOK REVIEW

Dictatorship, Democracy and Development
By Mancur Olson
American Political Science Review, Sept 1993

A great deal was written, especially in the 1970s, on the economic tensions affecting democracy. Competition for votes tended to generate unrealistic expectations, contributing to the notorious overload on government. Moreover, democratic government was infested with interest groups which badly affected economic performance.

The more careful writers in this vein did not say that dictatorships would perform better or as well as democracies. An American economist, Mancur Olson, who himself pioneered much of the earlier interest group analysis, has now gone on to analyse the endemic weaknesses of dictatorship. But, first, he makes important observations on the advantages of one type of dictatorship over another and of most types over anarchic violence.

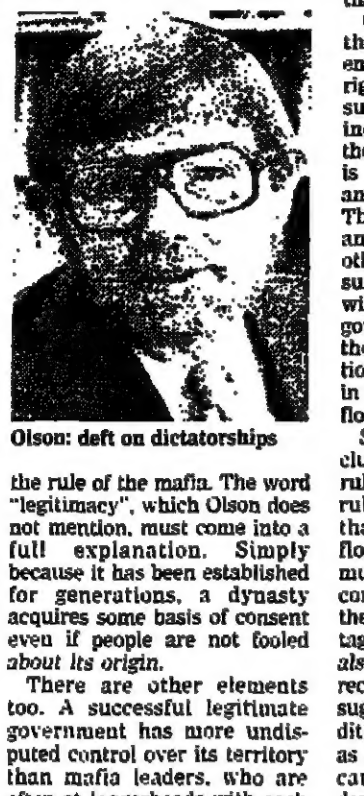
His starting point is the same as that of the English philosopher Thomas Hobbes: the need to prevent anarchic violence at almost all costs. The victims of violence and theft lose not only what is taken from them, but also the incentive to produce any goods for exchange with others.

The worst curse that can be suffered by a society in Olson's view is "roving bandits". Where these are prevalent no security of property exists. It is just as bad for the bandits: and one of the biggest gains in human history is when a bandit leader seizes a given domain, becomes a "stationary bandit" and himself begins to expel all other roving bandits, as did the successful Chinese warlords of the 1920s.

The rational stationary bandit will acquire a monopoly of theft, which he will call taxes; but the taxes will be extracted in such a way that the society still has some incentive to produce. For the stationary bandit will be able to take more if he leaves his subjects with the means to generate taxable income. "Thus we have the first blessing of the invisible hand: the rational self-interested leader of a band of roving bandits is led, as though by an invisible hand, to settle down, wear a crown and replace anarchy with government."

Eventually the bandit establishes a dynasty and acquires respectability. "History until relatively recent times has been mostly a story of the gradual progress of civilisation under stationary bandits interrupted by occasional episodes of roving banditry."

More needs to be said, however, on the difference between autocrats, such as the Bourbons and the Habsburgs, and



Olson: deft on dictatorships

the rule of the mafia. The word "legitimacy", which Olson does not mention, must come into a full explanation. Simply because it has been established for generations, a dynasty acquires some basis of consent even if people are not fooled about its origin.

There are other elements too. A successful legitimate government has more undisputed control over its territory than mafia leaders, who are often at loggerheads with each other as well as the official government and are less able to protect the population. Thus mafia leaders have more of the characteristics of roving bandits. Yet, if one leader comes out on top and his family rules for generations, he too will establish a legitimate dynasty.

Olson comes into his own in analysing the difference between the tax behaviour of stationary bandits and democracies. A dictator or bandit will want to maximise his own revenue and not care about the effect on the national income provided that the tax-take is as high as it can be. However modest his own needs, he has an unlimited stock of prestige projects or wars of conquest that he wants to finance. A democratic government will care about the effects on the population and not just on the government's takings.

Of course, a democratic government might try to buy elections by transferring income from a minority to a majority. But the majority will still have a substantial market-generated income and thus care more for the productivity of society than would an absolute ruler.

Olson has a less clear-cut theory of how democracy emerges. He falls back, perhaps rightly, on accidents of history, such as occasions when an individual who orchestrates the overthrow of an autocracy is not strong enough to set up another autocracy of his own. This may leave a stalemate and the need to work with other groups. But the danger surely is that such a stalemate will produce not constitutional government, as in the case of the English Glorious Revolution of 1689, but a weak state in which rival violent groups flourish, as in Russia today.

Some pessimists have concluded that the autocrats who rule China and until recently ruled Chile were right; and that the development of a flourishing market economy must precede civil liberties and constitutional rule, whatever the distortions and disadvantages. But there are other morals too. The more successful record of the Czech Republic suggests that a rule of law tradition, covering property rights as well as safety of the person, can enable a constitutional democracy to preside over the re-entry to capitalism.

Although Olson does not provide all the answers, he provides much more stimulus and understanding than many holders of Nobel prizes and takes us beyond the stale arguments on which so many social scientists are still impaled.

Samuel Brittan

Conversion on the road to capitalism

Chrystia Freeland on Ukrainian coupons and the art of motorcycle maintenance

Mr Yakov Eisenberg, director of Khartron, one of the two factories where guidance systems for the Soviet Union's space and nuclear weapons programmes were designed, is trying to muster enthusiasm for a new product: an orange plastic, public transport token.

In his office in the eastern Ukrainian city of Kharkiv, he says with rather forced gaiety: "The scientist who came up with this had a really good idea, and I am proud to say that I was part of the group that helped to make this token a reality." Holding the token to the light, he explains that it is much cheaper to produce than the old, metal token and even harder to fake, because it contains a sensitive metal strip.

But then Mr Eisenberg sighs deeply and explains: "Of course, this sort of thing is just a hobby for us. Our real work is to design guidance systems for nuclear missiles and space shuttles. We are as good at that as anyone in the world. But now we have no more orders."

Sighs like Mr Eisenberg's can be heard all over Ukrainian factories, as managers of some of the world's most sophisticated arms plants struggle to adjust to the end of the cold war and the disintegration of their largest market, the Soviet Union. The pervasive mood at many defence factories, once the most cosseted and prestigious sector of the economy, is one of bitter nostalgia.

For the Ukrainian government, striving to secure the new nation's independence, conversion of the factories to civilian uses poses one of country's most serious political and economic challenges.

More than 1.5m Ukrainian workers and as much as 40 per cent of the country's industrial production were devoted to making arms when the Soviet Union existed. That is roughly equivalent to the number employed by American defence industry, but Ukraine's population is only 52m, compared with 249m in the US.

The government's attitude towards conversion is ambivalent. Officials in the capital, Kiev, realise that military factories, many of which are standing idle but receiving state credits to maintain their workforces, are a drain on the national budget and one reason why the inflation rate is running at about 50 per cent a month.

Simon Hiemans, UK ambassador to Ukraine, riding a motorcycle made by a tank factory in Kharkiv

But the government is unwilling simply to cut off the credits – loans which are rarely repaid – and force those enterprises which are unable to convert to consumer products to close.

Mr Vitalii Shmarov, deputy prime minister responsible for the defence industry, says : "We cannot just allow all of this tremendous technological potential to die. If we do, our country will be reduced to the level of a third world nation." Mr Shmarov wants to allow some factories to carry on making arms to sell abroad, and at the same time to subsidise others so that they can switch to high-tech manufacturing.

However, Ukraine's parlous financial condition means the government's room for manoeuvre is extremely limited. Economically, it cannot afford to keep paying the credits; politically it cannot afford to stop them.

The Malyshev tank factory in Kharkiv, which makes the sophisticated Soviet T-84 tank, illustrates the squeeze facing the government. Before the collapse of the Soviet Union, arms, principally tanks, accounted for 70 per cent of the plant's output. But Mr Hennadi Levchenko, manager, says that since the first quarter of 1992 he has not received a single order from Moscow for tanks.

Mr Levchenko and his workforce are trying to adapt: they have started to make motorcycles and machines designed to extinguish oil-well fires. The latter are tanks with water cannon mounted where the gun turrets would normally be. So far, sales have not covered

'I do not care if I'm selling a tank or a toy. What matters is people wanting to buy it'

costs. Mr Levchenko, who has kept a big stained-glass hammer and sickle in the foyer of his factory, admits: "Our civilian products are only bringing us losses."

So how is the Malyshev factory surviving? "We live on credits," Mr Levchenko concedes, estimating his factory's total 1993 debt at 12bn Ukrainian coupons ($1.5m), most of it borrowed from the government at an interest rate lower than inflation and unlikely ever to be repaid.

Even though the Malyshev factory is in the red and operating at just over half its capacity, it maintains a workforce of 25,000. Mr Levchenko is proud of providing his workers with 19 daycare centres, a recreation building and two holiday health spas. He complains that the government has not given him enough money to finish building a sports stadium.

For Mr Levchenko, conversion to non-military production is a waste of time anyway. His main aim is to keep his workforce intact until the government decides to build more tanks, preferably for countries in the new Commonwealth of Independent States.

He wishes that the Ukrainian military still formed part of the Soviet armed forces. If the split had not happened, as the Soviet Union broke up in December 1991, he could have carried on supplying the entire Soviet Union with tanks, he says. Now, Mr Levchenko hopes for the day when "the Ukrainian army becomes a real army and asks our factory to build it some new tanks". The Ukrainian minister of defence should, he says, "be pounding his fist on the table and demanding money for new weapons".

Such views are shared by other managers of defence plants in eastern and southern Ukraine, where many of the region's leading designers and manufacturers of nuclear weaponry are located. Some western observers suggest they are lobbying for a nuclear Ukraine. Mr Markian Bilinsky, a British international affairs academic, says: "Can you imagine the feelings of loss of prestige of factories switching from making some of the best military technology in the world to making ice-cream machines?"

In the south, in the city of Dnipropetrovsk, workers who once built inter-continental ballistic missiles, for which Mr Eisenberg's enterprise designed the guidance systems, are now producing machines to dry rose petals for perfume. Further west in Mykolaiv, near the Black Sea, the shipyard that produced all of the Soviet Union's aircraft carriers is switching to oil tankers – which are more lucrative but considered so easy to build that the factory manager dismissively refers to them as "mere empty boxes".

But despite the reluctance of many former arms makers to change either their products or their methods, there is a groundswell of private enterprise which is gaining momentum.

It is being prodded along by men like construction company owner Mr Stepan Erdik, who thinks there could be a western market for the Malyshev factory's four-wheel motorcycles. He has found a western partner, and they are buying 1,000 vehicles to sell in the UK and North America.

Although Mr Erdik, whose primary business is building houses and offices, has only 300 employees, in contrast with Mr Levchenko's 25,000, it is the former who is providing the finance for some imported motorcycle parts. He also foots the bill when Mr Levchenko travels to trade fairs in the west.

Mr Erdik does not share Mr Levchenko's nostalgia for Ukraine's once mighty defence sector. "What is conversion?" he asks rhetorically. "It is when factories that made goods which were not needed by the people are forced to make goods which the people want. I do not care if I am selling a tank or a toy. What matters to me is whether people want to buy it."

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Pay laws a barrier to equality

From Ms Kathy Sutton.

Sir, Your report that the Equal Opportunities Commission and the Trades Union Congress are making representations to the European Commission about the UK's equality pay protection highlights the fact that UK law fails to guarantee fair and decent wages for women ("Brussels asked to rule on Britain's equal pay laws", August 24).

Throughout the 1980s and into the 1990s the government has tried to deregulate pay and employment conditions with policies that have disproportionately affected and discriminated against women, who make up the majority of people working in undervalued, low-paid and low-status jobs.

Over the same period European equality legislation has enabled women to challenge deregulation and gain important new rights that have helped them on the road to being treated equally in the workplace – equal pay for work of equal value, equality in retirement and redundancy ages and, most recently, the right to decent compensation in cases of sex discrimination.

The government argues that it is creating opportunities for women. But each time it is forced to take action by Europe there has been no discernible direct effect on the levels of women's employment. Indeed following the introduction of the Equal Pay Act, women's employment actually rose.

The government's arguments are designed to disguise its opposition to policies that attack the widespread undervaluing of women's skills and contribution to the workplace. As wise employers know and understand, those are the policies of yesteryears.

Kathy Sutton,
Pay Equity Project,
c/o Liberty,
21 Tabard Street,
London

Tackle new standard before it hurts

From Dr A S Hearne.

Sir, Peter Carty highlights the bureaucracy likely to be created by BS7750 ("Struggling with new standards", August 24). The bureaucracy will be particularly severe for small and medium-sized companies. Rather than increasing their international competitiveness it could decrease it, as a direct result of increased administration costs.

Perhaps this would be acceptable if it led to improved environmental performance. But this is not the case: the best we can expect is improved monitoring of environmental performance.

The UK government is consulting about both BS7750 and its European Community variation, the environmental management and audit scheme. However, the assumption is that the bureaucratic route to improving environmental performance has an important role to play.

This seems an unnecessary dilution of the government's attempt to relate the environment directly to the market-place. This can and should be done rather than allowing the the accreditation and certification industry (which includes the British Standards Institution) to add a further level of non-productive costs to our hard-pressed businesses.

Let's deregulate this one before it does any harm.

A S Hearne,
managing director,
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Centurion Court,
85 Milton Park,
Abingdon,
Oxfordshire OX14 4RY

Smithson obituary insensitive

From Mr Leonard Manasseh.

Sir, Your architecture correspondent, Colin Amery, does himself no credit with his obituary on Alison Smithson ("A brutalist partnership dissolves", August 23).

It is not so much an obituary as a continuation of his familiar polemic.

It is true that Mr Amery recognises and pays tribute to the Economist group of buildings, but the remainder of the article reveals his visceral beliefs.

Mr Amery's right to his opinions and to air them is not in question, but the brutal insensitivity of the headline and of the photograph illustrating his piece were less than chivalrous.

There must be hundreds of photographs of the Economist building. The selection, which can hardly have been accidental, of a view taken through a fish-eye lens, with its ludicrous distortion, make his praise of the buildings seem a little hollow.

Would that Alison were here to respond.

Leonard Manasseh,
Royal Academy of Arts,
Piccadilly,
London W1V 0D8

Political differences are impeding European monetary union

From Mr R H Campbell.

Sir, What a dispiriting article by Christopher Johnson ("Still on track for a single currency", August 23). He sees the achievements of the exchange rate mechanism as reducing inflation, giving banks windfall profits during the recession and providing the backdrop to the demolition of trade barriers.

His third point perhaps has some merit but I would prefer to attribute the welcome moves to the single market to affluence in the 1980s and political unity. Trade language has stiffened as growth has slowed. It is true that inflation in the European Community – Germany excepted – has been low in recent years, as it has all over the developed world. But I do not accept Mr Johnson's implication that, without the ERM, we would have high inflation in Europe. Inflation in the UK was worsened by the shadowing of the D-Mark, as was the recession by entry into the ERM and the two further years of high interest rates. The deflationary pressure of high real interest rates in a recessionary environment in France, Scandinavia and the Benelux countries, required by the ERM, has been damaging.

Mr Johnson's second point is incredible. I am not averse to traders making currency profits, and it was certainly true that the UK banks, in particular, needed profits in order to rebuild balance sheets and prevent monetary growth from stalling.

However, I am not sure large random cash transfers into the market from central banks are a rational policy response. A main beneficial medium-term impact of a fixed exchange rate system is competition on inflation rates, yet the policy thrust of Mr Johnson's article is to recommend a move to fixed real exchange rates.

It is sad that, after the damage caused by an ERM operating in conditions of world recession and divergent EC economies, one can still read that "the case for one market, one money is as strong as ever". Surely it should be clear that, without political union, as in the US, monetary union is neither sustainable nor desirable?

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From Mr Tony Hockley.

Sir, Christopher Johnson proposes another half-baked scheme for monetary union in response to the collapse of the previous one.

Immediately the goal of monetary union for members of a currency area is set, the scope for speculation is increased. It is sensible and almost inevitable in the interim period before the introduction of the single currency that the markets will test the resolve of the authorities to remain on track.

I am less convinced than Mr Johnson that the UK is underestimating the will of its European partners to achieve monetary union. The final decision is political not economic. When political resolve has been properly tested, as at the time of German currency reunification, it has failed.

While the goal of monetary union based upon monetary stability is entirely laudable, it is imperative that the political arguments are won before the economic arguments begin again.

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Thursday August 26 1993

A moment for truth in Bonn

TODAY'S meeting in Bonn between Mr Edouard Balladur, the French prime minister, and Chancellor Helmut Kohl of Germany is a moment for sober reflection on the troubles at the heart of the European Community. Because this is their first encounter since the storm that blew down the exchange rate mechanism, monetary matters will undoubtedly loom large. With the two countries still at odds over agriculture, so will the EC's position in the Uruguay round of multilateral trade negotiations. With Bosnia burning and the European Community's role there under a deepening shadow, the two leaders may find time to fret together about the former Yugoslavia.

But there is more at stake today than these individual issues. It is time for the French and German governments to take a more fundamental look at the strengths and weaknesses of their relationship, and to talk frankly about their interests – both where they coincide and where they diverge.

Nobody should underestimate the underlying strength of the Franco-German partnership. Taken individually, the issues that divide them are still relatively minor compared with what they have in common. Divisions over multilateral trade cannot detract from the economic integration that has made each the other's largest trading partner by far. Disharmony over exchange and interest rates should not eclipse the two governments' shared desire to proceed towards a single currency. Neither these disputes nor friction over foreign policy can call into question the role of the Bonn-Paris axis as the driving force of the European Community. On the contrary: when the relationship comes under stress, the instinctive reaction in both capitals has long been to close ranks.

Unflappable Balladur

That is one way of reading the events since the collapse of the old ERM. Despite the widening of currency trading bands, the ineffably unflappable Mr Balladur has gone about his business as if little has changed, with a downward tweak of interest rates here, a suggestion of closer economic policy co-ordination there, and the occasional diatribe against currency speculators. The Bundesbank, having cheekily urged its partners not to cut and run after the debacle that it helped to provoke, may (just may) oblige with a half-point cut in the discount rate today, enabling both countries to pretend that they are on course together for the second phase of Emu. Harmony will be restored, and the French will top it off – at a price – with a promise to co-operate over the Blair House agreement with the US on agricultural subsidies.

Franc fort

The problem is that these agreements, like many that have preceded them, will deal with the symptoms of the malaise, not the cause. On the monetary front in particular, Mr Balladur's understandable reluctance to admit the demise of his *franc fort* policy still leaves him performing an awkward balancing act between the needs of his domestic economy on the one hand, and the dictates of European policy (and French self-esteem) on the other. The former cries out for lower interest rates; the latter appears to dictate a floor under the exchange rate. And if he continues to insist on subordinating the former to the latter, he will depend as much as ever on the whims – and perceived domestic policy priorities – of the Bundesbank. Sooner or later as the political temperature in France rises, the two imperatives seem bound to collide.

It is undoubtedly a horrible dilemma. What it – and the accompanying political clamour in Paris – underlines is the way in which the balance of power between France and Germany has shifted since German unification. For all his public poise, Mr Balladur is crossing the Rhine today essentially as a supplicant. It is Germany, more than France, that now has real policy choices in Europe; and as the ERM debacle illustrates, post-unification Germany will sometimes choose to subordinate the needs of European co-operation to the interests of combatting inflation at home.

The underlying problem in the Franco-German marriage is that the two countries have yet to conduct a full and frank discussion of how their European ideals relate to their national interests. If today's meeting helps to clarify that fundamental question, it will have served a useful purpose.

Nasa lost in space

THE NASA scientists listening with increasing desperation for radio signals from their Mars Observer spacecraft realise that much more is at stake than the $1bn mission to study the red planet. Failure to make contact with the silent probe would be a crushing blow to future missions to Mars, which had been designed to use Observer for communications and/or for spotting promising places to land on the planet's surface. More generally, an Observer write-off, following a string of other technical and managerial disasters, would raise the most fundamental questions about the US space agency and the management of its $14bn-a-year budget.

Nasa's morale has never fully recovered from the 1986 Challenger disaster. The manned shuttle programme is still plagued with technical problems. Several scientific missions, including the Hubble space telescope, are performing below par. And poor leadership has left Nasa's plans to build an orbiting space station in disarray; Congress may yet kill the project.

One part of the agency is still running well, its public relations. But even a PR machine that makes the most of every opportunity – for example, trumpeting fuzzy pictures from the space telescope as breakthroughs in our understanding of the universe – cannot disguise the fact that Nasa needs radical reform.

The problem is that the gung-ho Nasa of the 1960s, geared up to beat the Soviets to the moon and then the planets, has grown into an elaborate bureaucracy. Its senior managers, including several astronauts from the glory days, tend to be more interested in running multi-billion dollar mega-projects than cost-effective scientific missions. The emphasis is on technology rather than science.

Radical solutions

Given the reality of Washington politics, the most radical solutions are not feasible. It might make sense, for example, to remove the space science activities, such as observatories and planetary exploration, from Nasa and fold them into the National Science Foundation. Nasa would then be responsible for manned activities – the shuttle and science station – and for promoting space technology. But the agency has too many defenders, in congress and the aerospace industry, who would fight to prevent anything that looked like a break-up.

So the overhaul has to take place within Nasa's current boundaries. The first requirement is to make sure that space exploration is really led by science rather than the internal agenda of Nasa managers. That means giving scientists outside the agency, particularly from universities, more say in its programmes. The practical result is likely to be a larger number of smaller, more flexible – and more imaginative – missions than Nasa is planning today.

International plans

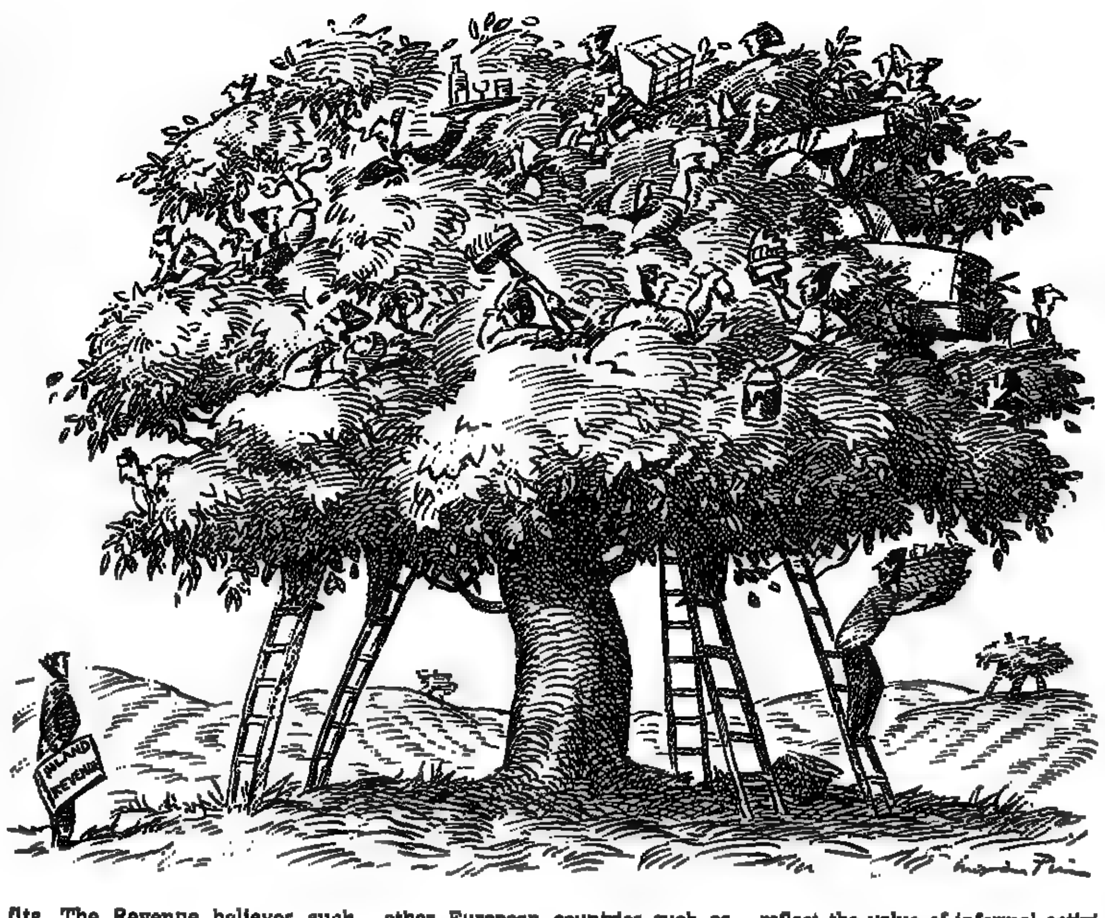
Secondly, Nasa must change its mentality more quickly from a *national* space agency to a partner in international programmes. Progress is being made. This summer a three-way collaborative project was announced: a gamma-ray observatory called Integral that will carry a US instrument on a European satellite, to be launched by a Russian rocket in 2001. It is the first mission designed from the start to involve Nasa, western Europe and Russia. More would be welcome.

The European Space Agency's science programme, known as Horizon 2000, is indeed looking increasingly attractive to some Americans as a model for Nasa. Although a dozen European nations are involved, Horizon 2000 is less bureaucratic than Nasa's big-is-best space science programme, and it is more open to outside participation. Another great advantage is that Esa projects, once approved, have far more stability of funding than similar Nasa missions, which suffer frequently in Washington's annual budget battles.

If Observer remains lost in space, the lesson will not be to give up missions to Mars but to stop putting $1bn into a single interplanetary basket. Indeed the likely scientific dividends would justify sending an international fleet of spacecraft to observe all the planets in our solar system. But they need not be grandiose Nasa-style craft.

The UK's blooming informal economy poses a taxing dilemma for the government, says **Emma Tucker**

The temptations of forbidden fruit



As the UK's fruit-picking season gets under way, the pretty apple orchards of Kent and Sussex are teaming with what the Inland Revenue calls the "ghosts" and "moonlighters" who make up Britain's blooming hidden economy.

These phantom employees, for whom the Revenue has no records, work not just in agriculture, but as waiters, cleaners, salesmen, minicab drivers and decorators. They have one thing in common: not a penny of their earnings finds its way to the exchequer. Their combined efforts make up the UK's informal or hidden economy – legitimate economic activity that is not declared for tax.

For a government that is looking at all areas of public spending to find possible cuts or extra revenue, the informal sector would appear to provide rich pickings. Mr Peter Lilley, social security secretary, has raised his cabinet profile with a summer campaign aimed at saving £1bn by stopping the "selfish crimes" of social security fraudsters. Stepping up efforts to crack down on tax evasion would seem the logical corollary.

But the absence of accurate figures on the size of the black economy – by definition the transactions involved are not declared – makes it impossible for the government to judge the tax losses involved. Moreover, the sums involved in each case of tax evasion are usually petty. And so, although it would not want to give the impression that it is lax in combatting tax evasion, the Revenue sometimes turns a blind eye, focusing on those areas where the returns are potentially greatest.

"There comes a point where it is not worth our while to chase evaders," said an Inland Revenue spokesman. "We don't go for totally stupid amounts of money. If somebody makes a £50 profit out of renting their drive to people with cars during the Wimbledon championship, we are not interested."

The Revenue cannot afford to be too complacent, however, because the number of people making up the hidden economy has almost certainly grown in the past few years.

Several factors might explain an expansion:

- An unemployment rate of 10.4 per cent which has forced people to be more enterprising in the ways that they earn money.

"There are clearly people who cannot get jobs in the formal economy but who are interested in supplementing what they can get through social security," says Mr Stephen Smith at the Institute for Fiscal Studies. In the last financial year, Department of Employment inspectors carried out more than 260,000 investigations into people who were claiming unemployment benefit while also working.

- The pressures on companies during a recession to collude with employees and encourage them to sign on as unemployed while paying a low wage to top-up state benefits. The Revenue believes such behaviour is more common among smaller companies. "Some companies might find it easier to survive by slipping over the boundary of legitimacy," says Mr Madsen Pirie, president of the Adam Smith Institute, the free market think tank. He adds: "During a recession you would expect the percentage of informal activity to increase as a proportion of the total as some marginal legitimate businesses go by the board."
- Changes to the structure of the labour market, including a move towards more part-time, low-wage, service sector jobs. More flexible working practices mean it is easier for employers to take on workers on an informal basis. Caterers, for instance, could be paid in cash, but employing a car production-line worker in a large factory would entail an employer filling in official paperwork.

In spite of these factors, however, tax compliance remains relatively high in the UK, compared with other European countries such as Italy and Greece. The Revenue says the widespread use of the Pay As You Earn system, which is administered by companies on behalf of the Revenue, makes it difficult for most people to influence their tax bill. Out of 24.5m taxpayers in 1992-93, about 21m were on PAYE. Economists and tax collectors say the simplification of the tax system and the reduction of tax rates over the past 10 years may have made it harder and less worthwhile to evade tax.

At the same time, while the number of people involved in the hidden economy has probably grown, the value of the sector has been constrained as much by the recession as legitimate activity. "There may be more people offering to tarmac drives, but there will be fewer people accepting," says a Central Statistical Office statistician.

Estimates of the size of the informal economy must take account of this confusing picture. Some European countries make explicit adjustments to their national accounts to reflect the value of informal activities. In Italy, for example, the official estimate of the informal economy is about 16 per cent of GDP.

In the UK, the only indicator the CSO can offer is its so-called "evasion" adjustment, the difference between GDP measured by expenditure and GDP measured by income and used to balance the national accounts. But the CSO does not pretend that it gives an accurate picture of the size of the hidden economy. "We have enough trouble trying to get the formal structures of the economy to add up, without having to worry about the hazy parts," a spokesman said.

Currently, the "evasion adjustment" is equivalent to about 1¼ per cent of total GDP, amounting to some £7.4bn in 1992. Government statisticians consider that figure an understatement of the extent of informal activity.

Estimates by independent economists are probably more accurate but are still open to doubt. Mr Smith, of the IFS, puts the value of the black economy at between 3 per cent and 5 per cent of GDP, based on research into consumer spending in areas where such activity is prevalent, for instance painting, decorating, cleaning and gardening.

He says that even if as much as half of all consumer spending on such services goes into the pockets of those failing to pay tax, the size of the hidden economy would amount to no more than 5 per cent of national output.

The Revenue, however, thinks that figure is too low. It attributes a value of between 6-8 per cent of GDP to the black economy, or up to about £50bn. "This is the best estimate that we have been able to come up with," said a spokeswoman. "It is a wishy-washy guesstimate."

If the revenue's figures are broadly correct, it is recouping only a fraction of the sums lost to the hidden economy. The special investigations unit of the Inland Revenue responsible for targeting the "ghosts" and "moonlighters" that make up the informal sector collected £85.7m in 1992-93 compared with £71.3m in 1990-91.

In comparison £5bn, equivalent to between 2p and 3p on the basic rate of income tax, was collected in 1991-92 from three other areas of the revenue's efforts to ensure compliance with tax rules: investigations into business accounts, wrong declarations in personal tax returns and the enforcement of PAYE requirements. Much of that would have been the result of mistakes or misunderstandings as well as some deliberate under-declarations.

Should the government be doing more? There is a case for making an example of some defrauders on the grounds that tax evasion is a crime and that all who are liable for tax should be treated equally. But there is also an argument that the Revenue need not be more aggressive, because the returns would be tiny in proportion to the time expended.

Many people failing to disclose their full income would still not be liable to tax if their earnings fell below personal allowances – £3,445 for a single person. At the same time, there are probably few people operating in the hidden economy who are earning substantial amounts each year – and so would be liable for significant sums of tax.

Another reason for the Revenue to hold off pursuing tax evaders is that a bustling informal sector could be a sign of a healthy, enterprising economy. Certainly, ministers are more vociferous about the need to tackle clearer cases of social security fraud than in clamping down on tax evasion in the hidden economy.

For this year's harvest anyway, it would appear that the "ghosts" carting apples, pears and plums around farms in south-east England are safe from the probings of the tax inspectors. They will probably continue to be until the money they earn amounts to the sort of sums in which the Revenue is interested.

Rich pickings from the public

Richard Donkin on the role of Revenue investigators

Tom Winship, investigations manager of the Inland Revenue Compliance Unit in Slough, believes that most people are basically honest and willing to pay their taxes. "We are not in the business of putting people out of business. We just want people to join our club and be contributors," he says.

His team of four officers is one of the few branches of the Civil Service that can show a financial return on its activities. For every £1 spent, it collects £5 from tax evaders.

"People are apprehensive of us but we do generally try to be understanding," he says. "We don't seek to crush people to death. After all nobody likes paying tax and we don't get a discount because we work here."

Winship's team pursues unpaid schedule D Taxes – those levelled on the self-employed. Slough has between 8,000 and 9,000 people registered to pay schedule D, and the office investigates about 1,000 separate cases of suspected evasion in that tax category every year.

"Many of our inquiries arise from telephone calls from informants and anonymous letters," says Beverley Stainer, a member of the compliance unit. Her job is to develop and follow up leads by making house inquiries.

She also looks at specific occupations. One that tends to attract scrutiny is taxi operations. Lists of licence holders are obtained from the local authority by the unit and names are checked against lists of operators provided by local taxi companies.

The Revenue officers use various profit and turnover statistics to check the purported income of businesses, from public houses to taxis and cleaners. These are collated on a district basis and help the officers decide whether tax might have been unpaid.

"A taxi driver, for example, will always claim back his fuel costs, and we can compare those against his takings in his accounts," says Winship. This makes it risky for drivers to carry passengers without using their meters, and then claim back the cost of the fuel used on the journeys.

Licensed traders can also be a fruitful area for the compliance officers, according to the team. Market stall holders and food-hawkers are regularly checked.

Moreover, the team monitors the classified advertisements of local newspapers, which might feature a rental property or advertise the services of home entertainers, such as a magician or clown for children's parties.

"We can then check the name in the advertisement against our data base which lists the names and addresses of each of the 24.5m people in the UK who pay tax. If the name does not appear, the investigation begins," says Stainer.

Sometimes individuals are referred to the office by the police. One referral involved a man prosecuted for drug trafficking and found not guilty. He told police that the £20,000 in Scottish £20 notes they found stored under his bed had been legitimately earned.

When the man walked free from court, police made sure his earnings were notified to the tax office. "We accepted his story and came to an arrangement whereby all the £20,000 was paid as tax," says Winship.

In another case, a man who had never paid a penny of tax found he was suffering from a terminal illness and came voluntarily to the office. His life-savings of £60,000 were tied up in the value of his house. A tax assessment was arrived at to pay over the whole amount and both parties parted amicably.

The investigators are not always successful, however. They discovered one boss of a manufacturing company who wanted to spend £15,000 on new machinery. His accountants told him he could not afford it but he told them he had some cash tucked away that the tax man did not know about. The man was warned by his accountants that the purchase would be queried by the inspectors.

Winship says: "When we asked him how he came by the money he said he found it in a paper bag on the bus. As proof he produced a receipt from the police station where he had handed in the package and from where he retrieved it when it was unclaimed. We believed him and moved on."

OBSERVER

Put out to Grasse?

■ What will Nigerian military ruler General Babangida do when he relinquishes power?

There have been reports in the French press that he has already bought a property on France's Côte d'Azur for around FFr10m. It's a villa near Grasse standing in three hectares of land and was built in a Moorish style in the 1850s. Queen Victoria once stayed there.

However, old Africa hands play down the significance of any such purchase in terms of what it says about Babangida's future plans. For a start, it is standard practice for heads of state both in and out of work to buy properties in stable countries like France, and several have second homes on the Côte d'Azur.

It doesn't necessarily mean he has given up all political ambition. One need look no further than Zaire's president Mobutu, who has several properties in France and Switzerland and has turned out to be one of Africa's great survivors.

Holy round

■ Now that lust has faded from the headlines, fear of unemployment seems to be the number one concern troubling Ireland's priests.

There are just too many of them. "Let's face it," writes Father Brendan Hoban of County Mayo in a magazine for priests, "many priests wake up in the morning wondering how they are going to pass the day."

Clergy line up to say a few words at wedding receptions and death notices are desperately scanned to find a funeral to attend. "Everywhere we go now, we are tripping over each other," continues Hoban.

"Most of us seem to spend our time answering invitations to social functions, breeding horses, training juveniles, celebrating jubilees, and pricing cars.

It's becoming almost impossible to get a game of golf on the clergy circuit."

Uninitiated

■ If the government is planning yet more intensive publicity for the citizen's charter, the closest John Major has come to a Big Idea, it should start with its own civil servants. Independent research released yesterday shows that 15 per cent of public-sector employees have still not heard of it.

Cutting the coat

■ Does Naim Attallah, publisher and Asprey's boss, have a better eye for clothes than Martin Taylor, Courtaulds Textiles' outgoing chief executive?

'Mr Jackson would like to deny he's bad'

When Courtaulds pulled the plug on thirty-something society couturier Arabella Pollen's business in May – after backing it for three years – Taylor's image took a rare knock and the British design world was plunged into deep gloom.

Now it is the turn of one of the very few other youngish British designers, 32-year-old Tomasz Starzewski, who has weathered the recession to see Attallah's luxury goods group buy up a controlling share.

Actually, the well-connected Pollen, whose father was the former head of Sotheby's in the US, also came to the attention of the ever chivalrous publisher when she started over a decade ago.

But they parted company and his eye has turned to Starzewski, a first generation Polish immigrant who took his first step on the ladder from above a Fulham fish and chip shop in which he sewed and slept. But then a hard-nosed businessman like Attallah is no snob.

Fit for action

■ Watch out David Lloyd, the fading tennis star who has built a £100m leisure centre business: the Beckwith boys are back in business.

Old Harrovians Peter and John Beckwith, who made an estimated £80m by selling their property empire to the Swedes at the top of the market, have decided to reinvest some of their fortune in leisure.

They have bought back the upmarket Riverside Racquet Centre (annual fee over £1,000 and a waiting list of six months) plus a couple of health clubs in the City from the Swedish owners to whom they sold them. They plan to develop a large leisure group to take advantage of the upturn in the economy.

No word on the price, but the business is thought to be making £1.2m a year and seems amazingly recession-proof. Indeed, chief executive David Haslam, who does the talking for the Beckwiths, says one of his members had his house repossessed but refused to give up his Riverside membership.

Just the sort of tale one might expect from a property developer.

Ritz blitz

■ A word of warning to Simon Stevens, who has just departed Invesco for the calmer waters of Carnegie International, London arm of the Swedish brokerage operation: decline any invitations from group chief executive Lars Bertmar for breakfast at the Ritz.

Back in November 1991, Carnegie International's senior management troika had been looking forward to talking business, if not money, with their new big boss over the scrambled eggs.

Imagine their surprise when, instead of Bertmar, in walked his lawyer to serve them with dismissal notices. Bertmar, who said the idea was to indicate that he was "hands on", has been in charge of London ever since. Obviously, he now feels that in Stevens he has found an executive who will allow him to take his "hands off" London, for the moment at least.

New twist

■ American tourist overheard in a London hotel bar: "Perrier and water, please."

Barman: "Would you like lime in it?"

FINANCIAL TIMES
Thursday August 26 1993

Finance formula for £250m regional aircraft venture near completion

Taiwan and BAe close to deal

By Daniel Green in Taipei

TAIWANESE OFFICIALS and British Aerospace appeared last night on the verge of saving the proposed £250m ($372m) joint venture to build regional jet aircraft which is central to BAe's efforts to improve profitability.

An agreement on a new financial structure for the venture could be signed as early as today.

The project, called Avro, stalled last month after some Taiwanese banks lending money became worried about whether or not it would be profitable. Avro will produce the RJ series of regional jets which currently loses money for BAe.

Mr John Cahill, BAe's chairman, and a team of four senior executives have been in Taiwan since Monday trying to reassure Taiwanese bankers and politicians and negotiate a formula for the deal.

Few details of a new financial structure were available last night although it will almost certainly not include government guarantees for the loans, said Mr Yang Shih-Chien, vice-minister of economic affairs, who has been closely involved in the talks.

The solution could involve spreading risks to Taiwanese banks based abroad.

It is also likely to include measures involving lease finance for aircraft built by Avro. The cautious approach of Taiwanese banks has been prompted partly by their unfamiliarity with western leasing techniques.

At least one other of the problems blocking a final agreement also appears to have been resolved. Taiwan has backed down from insisting on guarantees that a new generation of regional jet aircraft would be developed by Avro.

Instead, a decision to proceed will be taken only after the completion of market research aimed at assessing the number and timing of potential sales, the design likely to sell well and economics of establishing production lines.

Some problems would remain however. Taiwanese bankers and politicians want stronger guarantees that BAe would transfer some technology, design and manufacturing skills to Taiwan.

The Ministry of Economic Affairs has made it clear to potential foreign partners that Taiwan wants to progress beyond the manufacture of high technology components to their integration into finished products.

Mr P.K. Chiang, economics minister has said that resolving the remaining issues would still "require some time".

The original deal to establish the joint venture was signed in January by Mr Cahill and Mr Denny Ko, the president of Taiwan Aerospace Corporation.

Initial markets for both new and existing aircraft types would be Taiwan's domestic airlines, with which TAC is "well connected", said the TAC senior vice-president. Other potential markets are the fast-growing south-east Asia and China.

Taiwan link, Page 2

German rate cut hopes

Continued from Page 1

bank, has made clear that both money supply and inflation are central to interest rate decisions.

According to yesterday's provisional figures, the annual rate of inflation was down from 4.1 per cent to 4 per cent in North Rhine-Westphalia; from 4.8 per cent to 4.2 per cent in Hesse, and from 4.2 per cent to 4 per cent in Bavaria. Prices in the state of Baden-Württemberg, however, rose from 4.2 per cent to 4.3 per cent. The state month-on-month figures were barely changed.

Shares rose on the Frankfurt market after news of the drop in inflation in Bavaria, but markets were closed by the time the other states had reported their less optimistic figures.

Officials in Germany yesterday warned that the apparently sharp fall in Hesse's annualised rate of inflation was because of sharp rent increases in July 1992 dropping out of the calculations.

Economists said the degree to which the Bundesbank council members believed a turning point for inflation had been reached would be one key to a decision on interest rates at its meeting today.

UN aid convoy gets through to lift the siege of Mostar

By Our Foreign Staff

THE United Nations appeared to have finally broken through the siege of Mostar yesterday, after an aid convoy was reported to have reached the city.

The UN High Commissioner for Refugees said that Croat forces had allowed 27 trucks to enter the city, where some 55,000 Moslems have been trapped for more than two months with little food.

UN officials had earlier announced that the aid mission had been called off for the day, after hundreds of Croat protesters blocked its path, demanding further concessions in exchange for letting the convoys through to their Moslem enemies.

The Croat forces, who have recently suffered a series of military defeats by the Moslem-led Bosnian army in central Bosnia, had demanded that aid convoys be stepped up to besieged Croat populations in the region.

However, late yesterday evening Ms Alemka Lisinski, UNHCR spokeswoman in Zagreb, said that the 27 aid trucks had finally arrived in the Croat-held sections of the city. Nineteen trucks, carrying emergency food and medical aid, were expected to cross into the eastern, Moslem-held part of the city later.

Meanwhile, amid signs that the continued tension on the ground could undermine the latest peace proposals, the Dutch and German foreign ministers voiced doubts about the plan for the ethnic partition of Bosnia.

The warnings came after Lord Owen and Mr Thorvald Stoltenberg, the international mediators, held separate meetings with Mr Pieter Kooijmans, the Dutch foreign minister, and Mr Klaus Kinkel, his German counterpart.

After 90 minutes of talks, the Dutch foreign minister indicated that the Netherlands remained concerned about the feasibility of implementing the peace plan, and the practicality of putting Mostar under EC control.

It is worried that the Moslems may be coming under too much pressure to accept the plan, threatening its ultimate effectiveness in practice.

Mr Kinkel echoed the concern, indicating that he was not completely satisfied with the latest proposals to divide Bosnia-Hercegovina into three ethnic-based regions. "We will wait and see what decision Bosnia's three parties reach." The European Community is expected to delay any formal decision on whether to accept the peace plan's proposal that it take over administration of Mostar until all three parties to the Bosnian conflict make up their minds on the plan as a whole.

"I don't think the 12 will want to be pinned down until they see what the (Bosnian) parties do," one senior EC diplomat said. But there is cautious support in principle for the idea.

Beyond the task of choosing an administrator, EC diplomats emphasise questions like the number of support personnel required, how Mostar would be policed, and where funding would come from to replenish the EC's exhausted aid budget.

The Community appears concerned to avoid establishing a link between accepting administration of Mostar and committing extra troops to Bosnia.

US blacklists China and Pakistan

By Nancy Dunne in Washington

THE US yesterday imposed economic sanctions on China and Pakistan, claiming that they dealt in sensitive missile technology in violation of international arms controls.

Mr Mike McCurry, the State Department spokesman, said the US would prohibit sales of sensitive technology – that with both military and civilian uses, as well as munitions – for two years to both countries.

The decision is expected to cost US companies $400m to $500m in lost sales.

The sanctions are expected to have little impact on Pakistan, which is not a big consumer of such US products.

Asked if American companies would be protected against their losses, Mr McCurry said: "No. That's a significant cost that we pay but it reflects the seriousness with which we look at the issue of nuclear proliferation."

Yesterday's announcement followed months of disagreement among US intelligence agencies about whether China was shipping components of the M-11 missile to Pakistan in violation of the International Missile Technology Control Regime.

This week the agencies said they had reached a consensus that the sales had taken place.

M-11 missiles can be equipped with nuclear warheads and have a range of nearly 300 miles. Under US law, the Clinton Administration is required to impose sanctions for breaches of the missile control regime, severity depending on the gravity of the violation.

Retaliation might have been waived if considered in the national interest.

President Bill Clinton has vowed to take a strong line regarding China and weapons proliferation.

By choosing not to retaliate against Chinese exports to the US, he has probably contained the dispute, which might otherwise have escalated to include a Chinese embargo against US agriculture and other US low technology products.

China has consistently denied making illicit sales. Pakistan yesterday also denied that its purchases had broken US rules.

A foreign ministry spokesman said Pakistan had acquired only "some short-range missiles" from China after being attacked by Soviet-made scud missiles from Afghanistan in the late 1980s.

"Concern for missile proliferation does not arise from Pakistan but from India's extensive missile development programme, including Prithvi and Agni missile systems," the spokesman said.

He said Pakistan would respond positively to a US proposal for talks with India to prevent a missile race.

FT WORLD WEATHER

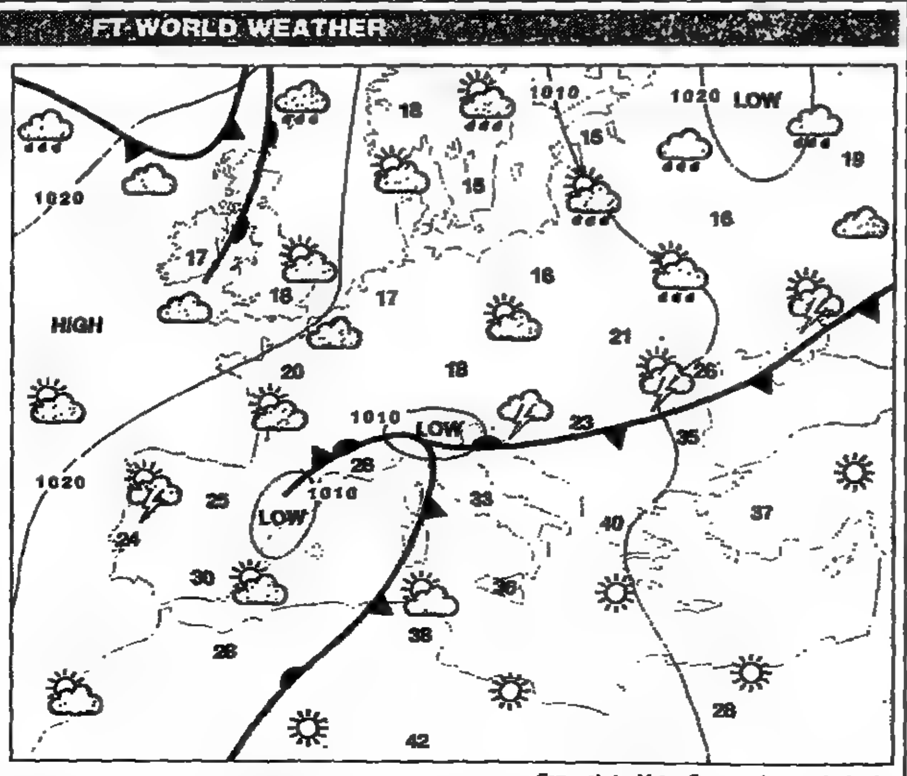
Europe today

A frontal zone separating warm air in south-east Europe from cooler air in the north and west will trigger thunder showers in north-west Spain and Portugal, along the Cote d'Azur, north of the Alps and over the Balkans. However southern Italy, Greece and Turkey will stay sunny and warm. North of the cold front, it will be rather cool and cloudy with showers in Scandinavia and the Baltic states.

A warm front associated with a complex low pressure area near Iceland will trigger light rain or drizzle over Scotland and northern Ireland. England and southern Ireland will be mainly dry with a few sunny spells in the afternoon.

Five-day forecast

A frontal zone will produce widespread thunder in Alpine regions, the Balkans and the Ukraine. Greece and southern Turkey will remain warm and sunny. High pressure over the Atlantic will bring more settled weather to the British isles and the mainland of western Europe. Most of Scandinavia and the Baltic states will continue unsettled and cool.



Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	39
Accra	shower	29
Algiers	fair	33
Amsterdam	fair	16
Athens	sun	36
B. Aires	fair	22
B.ham	fair	17
Bangkok	thund	32
Barcelona	fair	28
Beijing	thund	29
Belfast	drzzl	16
Belgrade	shower	28
Berlin	cloudy	17
Bermuda	shower	29
Bogota	fair	18
Bombay	shower	30
Brussels	cloudy	17
Budapest	cloudy	20
C'hagen	fair	17
Cairo	sun	38
Cape Town	sun	20
Caracas	fair	31
Cardiff	fair	17
Chicago	fair	31
Cologne	cloudy	16
D' Salaam	fair	28
Dakar	fair	31
Dallas	sun	37
Delhi	sun	37
Dubai	sun	41
Dublin	cloudy	17
Dubrovnik	fair	31
Edinburgh	cloudy	18
Faro	fair	23
Frankfurt	cloudy	20
Geneva	fair	22
Gibraltar	fair	27
Glasgow	cloudy	18
Hamburg	fair	17
Helsinki	cloudy	14
Hong Kong	fair	33
Honolulu	fair	31
Istanbul	sun	33
Jersey	cloudy	16
Karachi	fair	33
Kuwait	sun	45
L. Angeles	fair	25
Las Palmas	fair	25
Lima	fair	20
Lisbon	cloudy	22
London	fair	18
Lux.bourg	fair	18
Lyon	fair	24
Madeira	fair	24
Madrid	fair	28
Mayorca	fair	31
Malta	sun	37
Manchester	cloudy	17
Manila	thund	31
Melbourne	fair	21
Mexico City	shower	21
Miami	thund	31
Milan	fair	28
Montreal	sun	31
Moscow	rain	14
Munich	fair	18
Nairobi	fair	25
Naples	sun	33
Nassau	shower	33
New York	thund	34
Nice	thund	26
Nicosia	sun	35
Oslo	fair	19
Paris	cloudy	20
Perth	shower	17
Prague	fair	17
Rangoon	shower	26
Reykjavik	fair	13
Rio	fair	23
Riyadh	sun	42
Rome	fair	31
S. Frsco	sun	23
Seoul	thund	25
Singapore	shower	29
Stockholm	shower	15
Strasbourg	fair	21
Sydney	fair	20
Tangier	sun	23
Tel Aviv	sun	34
Tokyo	fair	27
Toronto	sun	30
Tunis	sun	33
Vancouver	fair	23
Venice	cloudy	26
Vienna	fair	18
Warsaw	shower	16
Washington	sun	33
Wellington	shower	12
Winnipeg	sun	25
Zurich	fair	19

THE LEX COLUMN

Caradon crows

After the warm reception accorded by the market to MB-Caradon's purchase of RTZ's industrial businesses, it seems churlish to ask whether the company has bitten off more than it can chew. The deal takes it a whole stage further down the road towards becoming a specialised building materials group. Though it is paying a full price, it has managed to avoid being saddled with the least attractive parts of RTZ's Pillar division. Yet £800m is a lot of money for Caradon to spend when its own market capitalisation is only £1.5bn. To absorb the goodwill it must seek court permission, for the second time in as many years, to cancel the balance on its share premium account. Without yesterday's rights issue it would hardly have had a balance left to cancel.

This is not to say that Caradon is condemned to flounder. It has a good record in managing the recession and has sensibly eschewed the temptation to opt for a hostile bid for a company like Pilkington. That would have involved paying a premium for a company heavily dependent on one product and on a weak European market. The stock market is clearly relieved that Caradon has chosen a negotiated acquisition of a collection of businesses poised to enjoy the US and UK upturn. But it may also be underestimating the extent of the challenge that lies ahead.

It is easy to claim that the acquisition will enhance Caradon's earnings next year. This year's earnings will be diluted by putting the proceeds of the sale of its CarnaudMetalbox stake on deposits at low interest rates. So almost any acquisition would have enhanced future earnings. The real test is how skilfully Caradon manages to integrate the large family of Pillar companies and push up their margins. That may be easier said than done, especially in the North American building sector.

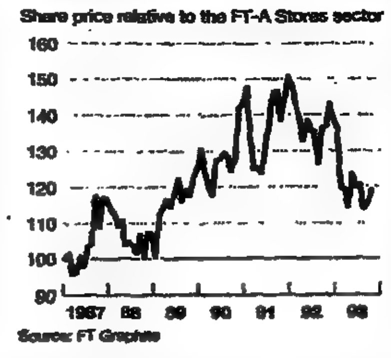
Gearing, too, may turn out less comfortable than suggested by the pro forma 24 per cent in yesterday's statement. Even a modest fair value provision and cash outlay on reorganisation would push the figure closer to 50 per cent. That might prompt disposals, though Caradon would hardly rush to part with its lucrative security printing division. Some of the other businesses acquired as part of the package, such as automotive or aero-engineering, might go. Caradon would then be judged even more as a pure building materials company. Its historic multiple of 22 makes it look cheap against Redland and RMC whose ratings are both over 30. Its more limited recovery prospects mean, though, that at 336p the shares are hardly cheap.

RTZ is left with a £165m exceptional loss and the task of disposing of the rump of its Pillar division. But it has also the satisfaction of seeing gearing fall to 14 per cent. That will allow it to prospect for new investments in mining. Its hand would be even freer if the government goes ahead with the introduction of foreign income dividends. RTZ would then no longer need to worry about maintaining enough UK income to prevent a build-up of unrelieved ACT.

FT-SE Index: 3079.2 (+29.9)

WH Smith

Share price relative to the FT-A Stores sector



Source: FT Graphite

News Corporation

The plan to beam Bart Simpson into Bangkok via satellite has, if nothing else, restored News Corporation's forward momentum. Before the acquisition of a controlling interest in Star TV last month, its shares were becalmed. They have since risen by 20 per cent, adding another leg to the bull run stretching back to 1991. Since Star is unlikely to contribute much by way of earnings in the near-term, that appreciation might seem curious. After two years restoring order to News Corp's balance sheet, though, the deal has been taken as a signal that Mr Rupert Murdoch is feeling expansive.

There is no shortage of recovery potential within the existing empire. Having driven margins higher in the depths of recession, UK newspapers should be well geared to any cyclical upturn in advertising. The network of US television stations continues to grow, while Fox films must surely come up with a blockbuster movie before too long. Even the investments in BSkyB and Ansett are starting to look less of a drag on earnings. But there is scarcely a stock market where cyclical profits recovery is not now taken for granted. Investors are now looking to News Corp for more.

So long as equity and bond markets are receptive, Mr Murdoch will not have to rely on the banks to fulfil his ambitions. Although interest cover is comfortable and no large debt repayments fall due until the second half of the decade, that will doubtless be a relief. The Star acquisition was paid for with equity and cash raised from an issue of convertible stock. Having driven the shares higher in anticipation of the next move, the market should expect more of the same.

W.H. Smith

W.H. Smith's careful excision of Do It All from the breakdown of its figures almost implies that it does not own the business. Perhaps Smith wishes it didn't. The red ink at Do It All flowed as freely as expected, yet Smith's timid roll out of its new trading format and coyness over its impact hardly add to confidence. Nor is it a persuasive excuse that some stores are badly located. If the company cannot find another 50 of its 220 sites which would benefit from treatment, the portfolio is a rag bag indeed.

In truth, Smith's strategy for Do It All is a mixture of shutting the very worst stores, spending the minimum on the few certain to benefit and whistling to keep its spirits up. How long partner Boots will be prepared to indulge this is an interesting question. Smith is trying to muddle through, while hoping for a strong housing upturn, because the alternatives of closing Do It All or heavy investment are simply too costly. Boots has the cash flow and balance sheet to take the strain. Smith, by contrast, would have seen a rise in borrowings this year had not freakishly strong sales in the last month distorted the figures.

It is not as though prospects are particularly rosy elsewhere. Getting Waterstone's to an acceptable return on capital will be a protracted process. Virgin Megastores are proving that Our Price sites are simply too small, and the company's improbably low tax charge cannot last forever. Since the core businesses will also struggle to sparkle, the company must long for the days when it had surplus profits to squander on its adventures.

FINANCIAL TIMES
COMPANIES & MARKETS
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Thursday August 26 1993

INSIDE

German car parts makers suffer reverse

German car part maker VDO Adolf Schindling recorded a first-half loss, estimated at DM50m, while Varta, the battery maker, saw net earnings shrink 75 per cent to DM5m ($2.9m). Page 14

Havas in Canal Plus share link-up

Canal Plus, the French television company, faces an uncertain future following reports that Havas, the French media group which is its largest shareholder, plans to raise its stake in an elaborate share swap deal. Page 14

RTZ sells Pillar to MB-Caradon

MB-Caradon, the UK building products and security printing group, has agreed to buy most of the Pillar industrial businesses of RTZ, the UK mining company, for around £800m ($1.19bn) Page 14; Lex, Page 12; Background, Page 17

WH Smith moves ahead 5%

WH Smith, the UK retail and distribution group, announced an unexpected improvement in pre-tax profits, in spite of increasing losses at Do It All, its DIY joint venture with Boots. Annual pre-tax profits were up 5.3 per cent to £113.8m ($169.6m) and the final dividend was raised to 9.9p. Page 14; Do It All, Page 19; Lex, Page 12

Strong yen hits Toyota profits

Toyota Motor, Japan's largest car maker, announced a 24 per cent decline in annual pre-tax profits to Y286.4bn ($2.7bn) and said the yen's appreciation could threaten its policy of lifetime employment. Page 15

Swedish paper groups stage rally

Stora and MoDo, two of Sweden's top forest products companies, reported improved first-half results despite what they described as persistent weak demand and prices in their European markets. Page 15

Telegraph group sales rise

The Telegraph newspaper group, which publishes both the Daily and Sunday Telegraph in the UK, boosted interim pre-tax profits by 60 per cent to £34.6m ($51.55m) and lifted the dividend to 5.5p. The group attributed the rise to strong circulation, a satisfactory advertising performance, and a slight fall in the price of newsprint. Page 18

Bimec to write off £5m debts

Bankers to Bimec, the UK water, waste treatment and engineering company, are to write off £5m ($7.5m) of debt in a restructuring to keep receivers at bay. Page 18

Foreign investors return to India

Greater political stability and a sharp increase in exports have brought foreign fund managers back to the Indian stock market. In the past six weeks, about $450m in foreign institutional funds has flowed into Indian equities and from the end of July to last weekend, the Bombay stock exchange's 30-share index rose 27.5 per cent. Back Page

Market Statistics

Base lending rates	28	London share service	21-23
Benchmark Govt bonds	18	Liffe equity options	18
FT-A Indices	21	London tradit. options	18
FT-A world indices	Back Page	Managed fund service	24-28
FT fixed interest indices	18	Money markets	28
FT/ISMA int bond svc	18	New Intl. bond issues	18
Financial futures	28	World commodity prices	20
Foreign exchanges	28	World stock mkt indices	29
London recent issues	18	UK dividends announced	18

Companies in this issue

Aegis	18	MB-Caradon	21, 17
Alcatel Alsthom	14	MD-Caradon	14
Avesta Sheffield	15	Mayflower	18
BNP	7	McKechnie	18
Bimec Inds	18	MoDo	15
Boots	19	Nestlé	14
Bournemouth Water	19	News Corporation	13
British Petroleum	21	News Intl	18
Cadbury Schweppes	19	Philip Morris	18
Canal Plus	14	Phipps Intl	19
Carnegie Group	8	Pohjola	14
Cathay Pacific	15	Price Waterhouse	13
Codan	14	Property Trust	19
Daniels (S)	18	RTZ	21, 17, 14
E.D.F. Man	14	Reader's Digest	15
Elf Aquitaine	7	Reinsurance Aust	16
Euro Disney	14	Renault	13
Fitchel & Sachs	14	Rhône-Poulenc	7
Fleming Claverhouse	19	Sandvik	15
GE Capital	13	Shell Transport	21
GPA	13	Stora	15
Glaxo	21	Telegraph	18
Gota Bank	14	Toyota Motor	15
Havas	14	VDO Adolf Schindling	14
Hemingway Properties	19	Varta	14
Hickson Internat'l	21	Victaulic	19
Hickson Intl	18	Volvo	13
IBM	13	WH Smith	14, 19
Independent News	18	Wellcome	21
John Fairfax	15	West Hants Water	19
LWT	18	Wilkes (James)	18
		Zeneca	21

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
AG Ind & Verk	584.5	+	9.5	Chargeurs	1127	+	57
Colonia Konz Pf	875	+	25	Euro RSCG	634	+	21
GEHE	420	+	10.5	Gaumont (Sc M)	519	+	29
MAN	332	+	10.5	Legris	210	+	10.9
Falls				Unibail	516	+	21
Rheinelektra	1145	−	33	**Falls**			
Varta	310	−	7	Eridania B-Say	815	−	16
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
AMR	67¼	+	1½	Aomori Bank	740	+	58
Bell Atlantic	60⅜	+	1⅛	Kaneka	692	+	36
Chrysler	42⅝	+	⅞	Nikkatsu	24	+	6
Delta	55⅛	+	2⅛	Showa Alum	566	+	21
Toys R Us	36⅝	+	1	**Falls**			
Falls				Mikuni C-Cola	1900	−	100
Philip Morris	48⅞	−	3	Sasaki Glass	505	−	35

New York prices at 12.30.

LONDON (Pence)							
Rises				Ransden's (H)	185	+	10
Aegis	38	+	4	Seacon	170	+	10
Assc Fisheries	153	+	9	Smart (J)	239	+	19
BP	317½	+	12	Smith (WH) A	471	+	16
Bellwinch	40	+	6	Spring Ram	73½	+	5
Chrysalis	77	+	8	Tarmac	156	+	6
Dalgety	518	+	20	Telegraph	418	+	29
Euro Disney	865	+	20	Topnel Diagn	174	+	9
Harrington Kil	220	+	11	Wilkes (J)	118	+	11
Independent News	395	+	20	**Falls**			
MB-Caradon	336	+	24	Hickson Intl	171	−	11
Medeva	114	+	5	Hoskins Brew	73	−	6
Perpetual	778	+	56				
Property Trust	45	+	5				

News Corp earnings rise 84.5%

By Bruce Jacques in Sydney

NEWS Corporation, Mr Rupert Murdoch's international media group, reported yesterday a surge in profits with almost all its divisions, notably newspapers worldwide and US television, contributing to the revival of the company.

Group net profits for the year ended June soared 84.5 per cent to A$978.9m (£439m) from A$530.5m a year earlier as revenue rose 4.9 per cent to A$10.69bn. The annual dividend is going up from 2.5 cents to 3 cents a share.

The two biggest components of the improvement were: a turnround from a A$56.8m loss to a A$177.3m profit from associate companies, including BSkyB satellite television operation in the UK and the Ansett airline business in Australia; and a reduction from A$931.7m to A$737.1m in net interest expense following the equity issues and debt restructuring which have returned the group to health.

The company excluded an A$114.6m abnormal loss from the result (A$29m loss previously), mainly reflecting unrealised exchange losses in the Ansett group.

News Corp's operating income in the UK rose from A$381.8m to A$401.9m, as operating profits from UK newspapers increased 9 per cent. The company said advertising and circulation revenue had remained flat and the result came mainly from operating efficiencies and plant modernisation. "Operating profits at the Sun, News of the World, and The Sunday Times all showed significant gains," said directors.

The company said its 50 per cent stake in BSkyB contributed £26.7m to profits, compared with a £13.3m loss. Revenues grew more than 60 per cent as the number of subscribers to films and sport grew. Operating revenue from the US rose from A$880m to A$964.3m as Fox Broadcasting and Fox Television turned in record profits. Directors said profits rose 6 per cent in the magazine and inserts business while the HarperCollins book publishing operations produced flat profits.

Operating earnings from Australia and the Pacific Basin rose from A$328.9m to A$336.1m. News Corp said if adjustments were made for businesses sold during the year, operating earnings from this division rose 23 per cent. They said operating income from Australian newspapers rose 18 per cent in spite of recession.

Lex, Page 12; News International results, Page 18; John Fairfax results, Page 15

Big Blue is turning the tables on its partner Intel writes **Louise Kehoe**

IBM taps into strength to play the power game

International Business Machines is turning the tables. Long the victim of "cloners" of its mainframe computers, disk drives and personal computers, IBM is now turning predator – developing its own "clone" of Intel's top-selling microprocessors; the "brains" of personal computers.

IBM is understood to be developing its own version of the Intel "microcode" or internal software instructions that control the functions of a microprocessor. This would enable IBM to produce microprocessors that do not rely upon Intel technology.

IBM is responding to a radical shift of power from computer manufacturers to semiconductor makers over the last decade. If it successfully reverses that through its new venture, IBM could regain some of its technological leadership.

But the price could be high. IBM could damage its partnership with Intel which has created the global PC industry with sales of $70bn a year.

For more than a decade, Intel has supplied microprocessors to manufacturers of "IBM-compatible" personal computers. Now IBM is planning to produce and sell "Intel-compatible" chips – devices that can run all of the thousands of software programs designed for Intel-based PCs.

Some 10 years ago, Intel was on its uppers; struggling to keep pace with Japanese competitors and losing money in the process. IBM came to the rescue, like a beneficent giant, investing $400m in Intel to ensure that its chip supplier would survive.

Today, Intel is the world's largest and most profitable semiconductor company and it is IBM that is in the red and painfully cutting its operations and workforce.

Cloning Intel's microcode is a key step in IBM's plan to seize control of the core technology of its $10bn personal computer business, correcting what many industry analysts see as a serious mistake in the early days of the PC market that made IBM beholden to outside suppliers, in particular Intel and Microsoft, the software company.

IBM appears determined to exert more control over both aspects of PC development. On the software side, it has already begun to draw away from Microsoft by, for example, offering its own version of DOS, the standard PC operating software. It is also developing a new generation of operating system, called Workplace which will have broader compatibility with other software.

The cloning effort could boost IBM's nascent efforts to become a big player in the semiconductor chip market

On the hardware side, IBM's "cloning" effort is believed to be geared primarily towards ensuring that a new generation of microprocessors, called PowerPC, jointly developed by IBM with Motorola and Apple computer, can take advantage of the huge established base of PC software applications.

With the addition of Intel-compatible microcode, PowerPC may be able to emulate an Intel microprocessor so fast that users would not know nor care what type of chip was inside their computers.

This would greatly enhance the market prospects for PowerPC computers, including those planned by IBM and Apple, and also make PowerPC chips more competitive with Intel's microprocessors.

The cloning effort could thus boost IBM's nascent efforts to become a big player in the semiconductor chip market.

Until recently, IBM's huge chip plants in the US, Europe and Japan have produced devices only of use in IBM 's own computers. Now the company is actively seeking opportunities to sell chips to the outside world.

Mr Louis Gerstner, IBM chairman and chief executive, recently identified semiconductor sales as strategic to the company's return to profit.

The high-performance microprocessor market is one of the fastest growing and most lucrative segments of the semiconductor market.

Intel is the runaway leader in the microprocessor field, with an estimated one-third share of the world market, according to Integrated Circuit Engineering, a US market research group. In the 32-bit high-performance sector Intel dominates with a 72 per cent share.

In 1992, Intel's unit shipments of 32-bit microprocessors totalled about 20m, according to ICE estimates, while other competitors combined sold about 9m of this type of chips.

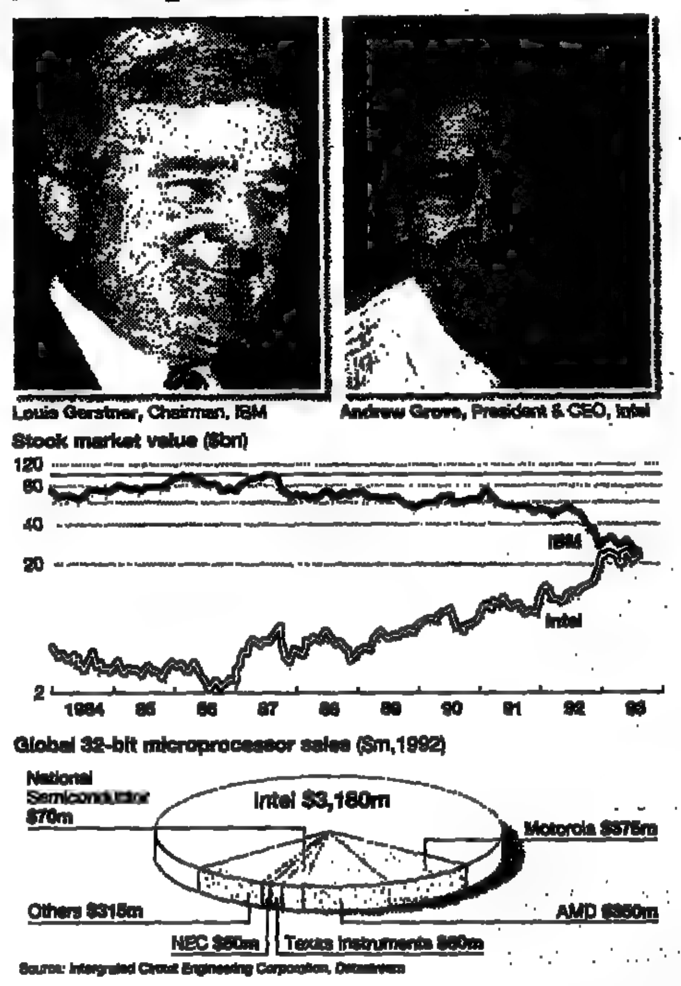
It is expected to take IBM at least another year to complete development of its Intel "clone" microcode. Starting from scratch, IBM's software developers must ensure that their work is not "tainted" by the inclusion of any of Intel's technology that could could run them into legal problems.

Yet IBM's unique relationship with Intel might encourage both companies to reach an accommodation. Already, Intel has licensed IBM to produce Intel-designed microprocessors for use in its own products. IBM is also offering circuit-boards incorporating its home-built Intel-designed chips to other PC makers.

IBM has also demonstrated its ability to improve upon Intel's microprocessor designs. Earlier this month, it announced "Blue Lightning" a speeded-up version of Intel's 486 microprocessor. Similarly, IBM has developed faster, and lower power versions of Intel's 386.

After 10 years as allies, Intel and IBM appear to be heading towards direct competition. The consequences of the changing relationship between the world's largest computer and semiconductor manufacturers are likely to touch every participant in the market.

IBM: turning tables



Louis Gerstner, Chairman, IBM
Andrew Grove, President & CEO, Intel

Source: Integrated Circuit Engineering Corporation, Datastream

GPA advisers confident of signing GE rescue agreement

By Roland Rudd in London

ADVISERS to GPA Group are confident that the aircraft leasing company will sign its rescue deal with GE Capital, the financial services arm of General Electric of the US, within the next few days. The agreement will separate GPA's $5.2bn borrowings from its assets.

A new company, to be called GE Capital Aviation Management, will be responsible for the leasing business of GPA and GE's subsidiary Polaris Aircraft leasing. Its executive chairman is expected to be Mr Tony Ryan, GPA's chairman and founder, who will work with a chief executive appointed from GE.

Mr Patrick Blaney, who was recently promoted to GPA's board after attempting to remove Mr Ryan as chairman, is likely to take charge of the old GPA.

The two companies will be based at GPA's Shannon headquarters in the Republic of Ireland, although Polaris will continue to have an office in San Francisco.

GE is now confident it has a watertight agreement to manage GPA's fleet – it has already agreed in principle to buy $1.35bn of GPA's aircraft – without being liable for the debt.

The deal should have been signed last month. It was delayed by fears that GE could be held responsible for GPA's liabilities.

Under the terms of the agreement GPA has effectively delegated the day-to-day management of its 470 aircraft to GE Capital Aviation Management.

A limited number of specified claims by GPA's core shareholders underwriting the deal and by the group's banks are being waived. GPA is confident this will enable it to meet interest and principal debt repayments to both its secured and unsecured creditors from leasing revenues generated by the new subsidiary of GE. But if it cannot do so, creditors will have no recourse to GE.

Mr Ryan is to be joined at the new GE subsidiary by Mr Jim King, GPA's vice chairman, Mr Colm Barrington, GPA's commercial director and Mr Phil Bolger, who has been largely responsible for running the leasing business. Mr John Tierney will remain finance director of the old GPA. Mr Maurice Foley, GPA's deputy chairman, is also expected to stay on at GPA until March when he will become a non-executive director.

Renault and Volvo near merger

By John Ridding in Paris and Hugh Carnegy in Stockholm

RENAULT, the French car and truck manufacturer, and Volvo, its Swedish partner, are making progress towards the completion of a merger and should be able to finalise an agreement within weeks, official French sources said yesterday.

According to these sources, an agreement is possible before the Frankfurt motor show on September 7 but would depend on the resolution of several outstanding issues, believed to include the shareholding structure of the two groups and the top management structure.

Renault and Volvo declined to comment on the state of negotiations between the two groups.

The two companies, which have steadily deepened their alliance since it was initially forged in 1990, have cross-shareholdings and have set up joint units in areas such as quality control, component purchasing and product planning.

The French government has been pressing Renault to step up the process of its merger with Volvo to clear the way for the privatisation of the state-owned car group. France's ambitious privatisation programme, which includes the sale of 21 state-owned groups, is due to be launched this autumn.

Motor analysts said Renault and Volvo might comment on the progress of their talks when they announce results this week. In line with other European carmakers, the two groups have suffered from the depressed state of the market.

Industry analysts are expecting Renault to report pre-tax profits of about FFr650m ($110.35m) for the first six months, a sharp fall on the FFr5.44bn in the same period last year. Sales have also fallen sharply, although the company has increased market share.

Volvo, meanwhile, is expected today to announce first-half losses after financial items significantly deeper than last year's SKr103m ($12.79m) deficit, but with a sharp improvement at the operating level.

Analysts are also predicting a return to profit over the year as a whole, after last year's record SKr4.75bn loss, as the benefits of the big devaluation in the Swedish krona feed through in the second half.

Opinion in Sweden is likely to swing on the extent to which Volvo assumes a junior role in the merger.

Price Waterhouse banned from Ferfin accounts

By Haig Simonian in Milan

PRICE WATERHOUSE, one of the world's leading accounting and consultancy groups, has been banned by the Italian Consob companies and stock market watchdog from auditing the books of Ferruzzi Finanziaria (Ferfin), Italy's second biggest private company.

The ban, which may be extended to Ferfin's Montedison industrial subsidiary, follows the opening of a formal investigation by Consob into Price Waterhouse's conduct in auditing the group's accounts.

Consob based its move on the claim that Price Waterhouse had been shown to be "technically inadequate" in auditing Ferfin's books. Technical inadequacy is one of only two grounds on which Consob can prevent an auditing firm continuing its task, the other is conflicts of interest.

Mr Dino Martinazzoli, of Price Waterhouse's Italian partnership, said the group would probably appeal against the move. "The job of auditing Ferfin's accounts was carried out in a professionally correct way," he said.

Consob's move follows the discovery of severe financial irregularities in Ferfin's and Montedison's accounts by the new management imposed earlier this year by the group's leading bank creditors.

The irregularities, which centre on a L435bn ($270m) additional loss in Montedison's 1992 accounts, are believed to result from attempts to cover up huge US commodity futures trading losses incurred by Ferfin in 1989.

Meanwhile, Milan magistrates investigating the country's 18-month political corruption scandal believe Montedison paid huge sums in off-balance sheet kickbacks to politicians during the life of the now defunct Enimont chemicals joint venture with the state-owned Eni energy and chemicals group.

Ferfin, with total borrowings of L28,838bn at the end of May, and Montedison were obliged to revise their 1992 losses to reflect the new discoveries.

Meanwhile, the new management brought by the group's leading creditor banks, commissioned Deloitte & Touche, another international accounting group, to carry out a detailed investigation into the groups' accounts.

Parts makers feel effect of German motor crisis

By Christopher Parkes in Frankfurt

THE EFFECTS of the crisis in the German motor industry showed up yesterday in poor first-half results at two leading parts suppliers. **VDO Adolf Schindling**, part of the Mannesmann group, recorded a loss, while Varta, the battery maker, saw net earnings shrink 75 per cent to DM5m ($2.9m).

VDO said first-half sales had fallen 1.3 per cent to DM1.17bn, despite a 27 per cent rise in foreign turnover. Unofficial estimates put the loss at around DM50m.

The group said it expected a deficit for the full year after a 15 per cent fall in turnover, although 1994 should show a marked improvement.

It blamed the poor performance on lower volumes, price pressure and restructuring costs. Numbers employed fell by more than 800, and a further 1,000 German jobs are scheduled to go by April next year.

Meanwhile, VDO is continuing to shift capacity abroad. Current projects include a possible joint venture in China. Works will be opened soon in South Africa and Indonesia, and negotiations are under way for a plant in the Czech Republic.

Fichtel & Sachs, another Mannesmann components maker, reported mounting losses earlier this week. Its deficit rose to DM98m during 1992, compared with a loss of DM68m a year earlier.

New orders in the early months of the current year were stubbornly low, and the company suggested losses could increase again.

Varta, a leading supplier of car batteries, said half of its 8 per cent fall in first-half turnover to DM1bn was a result of currency fluctuations. Recession had hit industrial sales, with car battery turnover dropping 13 per cent to DM363m. Turnover from power units for portable appliances was unchanged at DM403m.

In the year to the end of June the company had cut its payroll by 8 per cent and reduced capital expenditure by 22 per cent.

On the basis of "modest" prospects for the rest of the year Varta said full-year earnings would be significantly lower than last year's DM50m.

Codan posts profit of DKr503m

By Hilary Barnes in Copenhagen

THE CODAN insurance group, which became Denmark's leading group when it took over the Hafnia insurance and banking operations earlier this year, made a first-half net profit of DKr503m ($72.97m), giving a return on equity of 22.6 per cent.

The group, which is controlled by the UK's Sun Alliance, did not publish pro rata figures for the two groups for 1992, when first-half profits (for Codan only) were DKr49m.

The merger, which took effect from January 1 this year, has tripled group assets to DKr52.44bn from DKr15.3bn on December 31. Equity capital increased to DKr4.49bn on June 30 from DKr3.98bn at the end of last year.

Codan made a first half loss of DKr163m before financial income, which came to DKr704m, while taxes were DKr39m. Earnings by the accident insurance divisions, where premium income increased to DKr2.47bn from DKr652m last year, increased to DKr597m from DKr180m, but Codan said the Hafnia accident insurance business made a loss.

RTZ sells units

By Maggie Urry and Kenneth Gooding in London

MB-CARADON, the building products and security printing group, yesterday agreed to buy most of the Pillar industrial businesses of RTZ, the mining company, for around £800m ($1.19bn). MB-Caradon also announced a £334m rights issue to help fund the cash purchase.

The deal will double MB-Caradon's building products turnover, and compares with the group's market value of £1.48bn yesterday morning. MB-Caradon's shareholders are to vote on the deal, and on a name change to Caradon, reflecting the increased scale of the building products activities.

Lex, Page 12; Background, Page 17

WH Smith boost

By Neil Buckley in London

WH SMITH, the UK retail and distribution group, yesterday gave an upbeat trading statement and announced an unexpected improvement in pre-tax profits, in spite of increasing losses at Do It All, its DIY venture with Boots.

Pre-tax profits for the year to May 29 were £113.8m ($170m), up 5.3 per cent on last year's £108.1m, restated according to FRS3, ahead of analysts' forecasts. Shares closed up 16p at 471p.

Sir Simon Hornby, chairman, said the group's retail businesses had recovered strongly in the second half. The final dividend was raised to 9.9p, for a total payout of 14.2p (from 13.4p).

Do It All, Page 19; Lex, Page 12

Euro Disney shares rally on injection report

By Alice Rawsthorn

EURO DISNEY, the troubled leisure group, yesterday saw its shares rally following a report that Walt Disney, the US entertainment company which is its largest shareholder, is considering bringing in an investor to provide new capital.

The shares, which have fallen sharply during the past two weeks, ended the day FFr1.50 higher at FFr57.50 following a report in the Los Angeles Times quoting Mr Michael Eisner, Walt Disney chairman, as saying that the company might introduce an external investor.

However, Walt Disney said yesterday that Mr Eisner had been misinterpreted. "All he said was that we were discussing many things with Euro Disney," it claimed.

Analysts were sceptical that Walt Disney would be able to find another investor willing to take a stake in Euro Disney, given the severity of the European group's financial problems.

Euro Disney, which has net debt of FFr21bn ($3.56m), lost FFr1.08bn in its last financial year to September 30 and is expected to make a net loss of at least FFr1.8bn this year. It announced last month that it had been forced to ask Walt Disney for financial support while it attempted to negotiate an emergency financial restructuring package with its banks.

Alcatel sells cable stake

By John Ridding

ALCATEL Alsthom, the French telecommunications, power and transport group, yesterday placed 1.8m shares, a 4 per cent stake, in Alcatel Cable with institutional investors at FFr600 each.

Havas linked with plan to alter Canal Plus holding

By Alice Rawsthorn in Paris

CANAL PLUS, one of France's most dynamic television companies, faces an uncertain future following reports that Havas, the media group which is already its largest shareholder, plans to raise its stake in an elaborate share swap deal.

According to the Figaro newspaper, Havas plans to add the 20.4 per cent stake in Canal Plus now owned by the Compagnie Générale des Eaux industrial group to its present 23.5 per cent holding. CGE would in return become the largest shareholder in Havas by raising its holding to 20 per cent.

Meanwhile, Société Générale, the banking group which is a long-standing corporate ally of CGE, would exchange its 5.1 per cent stake in Canal Plus for shares in Havas, where it already holds an 8.1 per cent stake.

Havas declined to comment. Canal Plus said that there was "nothing to be said at present". However the report follows months of speculation that Havas and CGE were discussing a reshuffle of their investment in Canal-Plus.

However Havas would have to wait for changes in French broadcasting legislation to raise its stake in Canal Plus above the present maximum of 25 per cent.

The reports come at a sensitive time for Canal Plus, which expanded rapidly in the 1980s through its highly successful pay-TV channel in France, but has stalled more recently because of its problems in the US. It saw net profits stabilise last year at FFr1.1bn, against FFr1.01bn in 1991.

Nestlé wants bite at Polish firm

By Christopher Bobinski in Warsaw

NESTLE, the international confectionery and foods company, has offered to pay $40m for an 80 per cent share in Poland's last state-owned chocolate producer.

Nestlé's move, which includes a promise to invest a further $30m in the Goplana plant in Poznan, is designed to block the establishment of a joint venture between the state and E. D. & F. Man, the UK sugar and cocoa broker.

This venture, which is awaiting a go-ahead from Mr Janusz Lewandowski, the privatisation minister, would see E. D. & F. Man putting in $37.5m with the state contributing the Goplana plant. This would leave both sides with 47 per cent of the equity. The balance would be owned by the Goplana workforce.

E. D. & F. Man and Elite Industries formed a joint marketing company with Goplana in 1991, designed to smooth the way for the merger.

NEWS DIGEST

Finnish insurer improves

POHJOLA, the Finnish insurance group, expects an improved 1993 result after it swung to a first-half operating profit of FM6m ($1.03m) from a FM105m loss in the same 1992 period, writes Christopher Brown-Humes.

The group saw investment income rise by FM300m to FM534m, helped by the strong surge in share prices on the Helsinki stock exchange.

This compensated for a worse underwriting performance, which swung to a FM104m deficit from a FM79m profit, after losses from credit insurance, domestic reinsurance and foreign insurance.

Premium income fell 4 per cent to FM2.1bn, largely because of the impact of the Finnish recession on domestic premiums which were 5 per cent lower at FM1.8bn.

Rising share prices lifted the group's solvency capital at June 30 to FM4.4bn, from FM3.7bn at the end of 1992.

Pharma Vision rights issue

PHARMA Vision 2000, the Swiss investment company specialising in pharmaceutical share holdings, is raising SFr310m ($203.9m) in a rights issue with the aim of broadening its holdings to include companies outside Switzerland, writes Ian Rodger in Zurich.

The group, which is controlled by a syndicate led by Mr Martin Ebner's BZ financial group, also signalled its intention to take a more aggressive role in managing companies in which it held large stakes.

With a net asset value of SFr1.9bn, Pharma consists almost entirely of shares in Roche and Ciba-Geigy.

The Pharma rights issue is on the basis of one-for-five held on October 6 at SFr3,000 per bearer share and SFr600 per registered share.

DNO builds 6% Vard holding

DNO, the Oslo-based oil company, has built a 6 per cent stake in Vard, the troubled Norwegian cruise and ferry group, making DNO Vard's fourth biggest shareholder, writes Karen Fossli in Oslo.

DNO, controlled by Mr Torstein Hagen, the Norwegian investor, holds 1.5m Vard shares, according to the most recent list of the group's top 20 shareholders, dated August 20.

State aid helps prop up Gota Bank

By Christopher Brown-Humes in Stockholm

THE SWEDISH government is to provide a further SKr5bn ($620m) guarantee for Gota Bank to prevent it from falling below minimum capital adequacy requirements under the weight of heavy loan losses.

The commitment comes on top of a SKr10bn guarantee Gota received at the start of this year after coming under state control at the end of 1992.

It is being made because it has taken longer than originally expected to return the bank to the private sector and because a change in accounting treatment inflated its first-half credit losses to SKr7bn. The bank is expected to be sold during the autumn.

The announcement is a stark reminder that Sweden's banking crisis is far from over after euphoria at other banks' results and Skandinaviska Enskilda Banken's move to withdraw a state aid request.

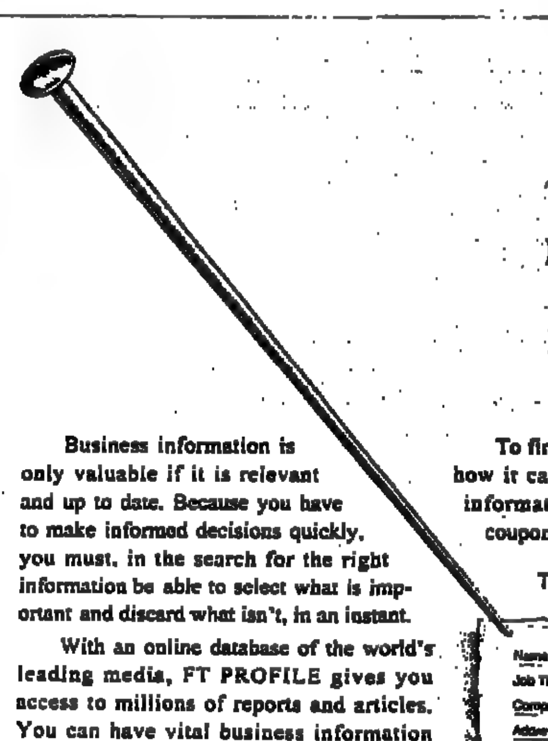
Gota announced a SKr5.6bn operating loss for the first half, after being dragged into the red by a SKr1.4bn deficit from problem credits housed in Gota Bank Specialengagemang.

BNP tumbles to FFr522m

By Alice Rawsthorn

BANQUE Nationale de Paris, one of France's biggest banks and scheduled for privatisation this autumn, suffered a sharp fall in net profits to FFr522m ($88.62m) in the first half of this year against FFr1.33bn in the same period last year.

BNP managed to increase its net banking income to FFr21.23bn in the first half, from FFr19.48bn in the first six months of last year. However, it was forced to raise its risk provisions to FFr5.82bn from FFr4.11bn over the same period.



Strong yen forces Toyota Motor profits down 24%

By Michiyo Nakamoto in Tokyo

TOYOTA MOTOR, Japan's largest carmaker, yesterday announced a 24 per cent decline in pre-tax profits for the year ended June, and said the yen's appreciation could threaten its policy of lifetime employment.

In its third consecutive year of profit decline, Toyota pre-tax profits fell to Y286.4bn ($2.76bn) and operating profits to Y103.6bn from Y124.9bn.

The results were the lowest since the Toyota group merged its manufacturing and sales operations into a single company in 1982. Sales were Y9,031bn, up from a previous Y8,940bn.

Toyota blamed the downturn on weak domestic demand as well as currency strength. Earlier this week Honda reported a 42 per cent fall in profits for its first quarter.

Toyota warned that at an exchange rate of Y110 to the dollar it would be hard-pressed to make any profit at all. If the exchange rate remained closer to Y105 to the dollar, Toyota would find itself in a very difficult situation, the company said.

It added that the outlook was not significantly better. While the government's economic stimulus package was expected to help lift consumer demand in Japan, fierce competition and the uncertainty of recovery in world markets kept a cloud over future prospects, the company said.

In the current year to June 1994, Toyota is forecasting a 30 per cent decline in pre-tax profits to Y200bn and a 29 per cent fall in net income to Y110bn on sales 3.7 per cent down at Y8,700bn. These projections are based on an average exchange rate of Y110 to the dollar, the company said.

Unit sales in Japan suffered a drop of 7.6 per cent to 2.16m units. Exports in the year rose 1.6 per cent to 1.72m units, largely on increased exports to Asia. Production of passenger cars and trucks in Japan was down by 4.4 per cent while production overseas increased 20 per cent.

On a consolidated basis, Toyota sales were Y10,210bn and pre-tax profits were Y322.2bn, down 24.6 per cent.

Reader's Digest marks time

By Frank McGurty in New York

READER'S Digest Association, the New York-based publisher of books, magazines and other products, yesterday disappointed investors by reporting only a 2 per cent gain in underlying net income for the fourth quarter.

The result reflected the continued weakness of its US books and home entertainment business. And Wall Street reacted by marking down the company's shares by $1¾ to $39 in morning trading on the New York Stock Exchange.

Net income for the quarter ended June edged higher to $26.8m, or 23 cents a share, on revenues of $644.4m. The result compares with net income of $26.2m, or 22 cents, and $605.4m in revenues in the year-earlier quarter.

When restated to reflect changes in accounting for post retirement benefit, net income for the 1993 period was $25.8m, or 22 cents.

International revenues in the 1993 period showed a solid 11 per cent increase, and would have been 17 per cent higher without adverse exchange rate movements. However, US revenues were unchanged from the year-earlier period.

Mr George Grune, chairman, said the company had made some progress in restoring the books and home entertainment division to its historic level of growth, but warned that it may require 12 to 24 months to complete the process.

For the full year, the company posted a 12 per cent gain in underlying net income.

A strong performance in overseas markets also was largely responsible for the yearly advance.

Revenues in the US increased only slightly, with the domestic books and home entertainment segment turning in weaker sales on the year.

Bell Atlantic wins TV ruling

By Martin Dickson in New York

BELL ATLANTIC, the large east coast telecommunications company, won an important legal victory which could make it the first US local telephone company offering cable television in its telephone service area.

It said a US district court in Alexandria, Virginia, had declared unconstitutional a provision in the 1984 Cable Act blocking telephone companies from providing cable programming in areas where they provide a telephone service.

The case, which seems likely to go to appeal, sets a legal precedent and may prompt other local telephone companies to mount similar cases.

Bell Atlantic, one of the seven regional "Baby Bell" telephone companies spun off in the mid-1980s from American Telephone & Telegraph, filed suit last December in Alexandria against the US government agencies responsible for overseeing the 1984 Act.

It wants initially to offer a cable television service to 60,000 customers in Alexandria, just across the Potomac River from Washington DC.

The cable industry seems certain to appeal the ruling. The federal government could also object, although the executive branch has generally favoured breaking down regulatory barriers.

Earnings hit A$67.2m at John Fairfax

By Bruce Jacques in Sydney

JOHN FAIRFAX, the Australian newspaper group, reports a net profit for the year to June of A$67.2m, (US$45.4m), its first as a stock market listed entity.

The company, which has operated in its current form since coming out of receivership in late 1991, lifted revenue by 5.6 per cent to A$770.1m and has declared a maiden dividend of 4.5 cents a share.

Net earnings, as stated under Australian stock exchange rules, more than quadrupled from A$15.4m, but the directors warn the comparison is not meaningful because of the high level of debt carried in the previous period.

That debt was restructured when the present company was created, substantially reducing interest expense. The directors say earnings before interest and tax - up 30.4 per cent to A$168.0m - make a better comparison.

They say the revenue increase was achieved despite low advertising volumes for the company's major newspapers. The higher revenue was derived from a A$28.1m advertising increase and a A$14.6m circulation rise.

The company has entered the 1993-94 financial year with classified and display advertising volumes showing growth. "This bodes well for the current year," say directors.

Management has focused on improvements in efficiency to counter unfavourable trading conditions. This is reflected in a rise in operating costs, up 0.5 per cent to A$580.6m.

"In particular, the company has addressed its major costs, namely wages and newsprint. Since June 1992, through early retirements and redundancies, the equivalent full-time number of employees has been reduced by around 5 per cent."

Fairfax, in which Mr Conrad Black's Hollinger group has a 25 per cent stake, publishes the Sydney Morning Herald, Melbourne's The Age newspaper and the national Australian Financial Review.

Swedish paper groups stage rally

By Hugh Carnegy in Stockholm

STORA and MoDo, two of Sweden's top three forest products companies, yesterday reported improved first-half results despite what they described as persistent weak demand and prices in their European markets.

Stora, the leading pulp and paper group in Europe, returned to the black, showing a profit after financial items of SKr30m ($3.7m) compared with a loss in the same 1992 period of SKr163m. Sales totalled SKr25.3bn, compared with SKr24.3bn.

MoDo cut its loss after financial items to SKr353m from SKr518m last year, on sales of SKr8.4bn (SKr8.2bn), and announced plans for a one-for-two rights issue in the autumn to raise about SKr1.7bn. This, it said, would help the company to take advantage of any upturn in the industry.

The turnround at Stora came despite a sharp fall in operating income to SKr440m from SKr707m. It was attributed to a sharp cut in net financial expenses, to SKr410m from SKr870m, caused by falling interest rates and a rise in contributions from the group's financial services unit.

Stora said it had pushed ahead with a heavy rationalisation programme in the first half, achieving cost reductions of SKr1.3bn as employee numbers fell to 34,600 compared with 39,800 a year ago. In addition, there were savings of SKr700m from divestments and volume declines.

But it said the effects of these were disguised in the half-year results by exchange rate losses of SKr2.6bn, incurred when the costs of foreign units were translated into the weaker Swedish krona.

Mr Lars-Ake Helgesson, Stora president, said: "We do not expect any substantial changes in the market that will effect our result for all of 1993. What we have achieved so far was because of internal actions and lower interest rates."

Mr Bernt Löfs, head of MoDo, agreed that the industry continued to suffer from weak demand, low prices and overcapacity in western Europe. He warned that MoDo, which pushed up operating profits in the first half to SKr346m from SKr59m, would incur a further loss in the second half of the year.

But he added that there were signs that the worst of the recession was over. The planned rights issue, to be priced at SKr120 per share, would give MoDo the financial strength to take advantage of an upturn. The issue will apply to existing holders of ordinary shares and convertible participating notes.

Cathay Pacific down by 46%

By Simon Davies in Hong Kong

CATHAY PACIFIC Airways, Swire Pacific's Hong Kong-based international airline, yesterday revealed first-half 1993 earnings of HK$681m (US$88m), down 46 per cent from 1992's HK$1.26bn.

The results were significantly below analysts' expectations, with the airline suffering from the weak performance of its routes to recession-hit Japan and Europe.

Cathay Pacific was also seriously hit by the cabin attendants' strike during January, which Mr Peter Sutch, chairman, said had caused an estimated HK$240m reduction in profits.

Revenues of HK$11bn were marginally up on the previous year. The interim dividend is being held at 10.5 cents a share.

Mr Sutch said: "Although the full year's results are expected to be materially lower than 1992, we expect that the second half-year's results will not show a percentage drop as great as indicated for the first half year."

Asia's airlines had previously shown themselves to be relatively recession-proof, but with rapidly-increasing capacity and internal competition, at a time of weak global markets, earnings are finally being hit.

Mr Sutch said: "The main cause of the drop in profits was the effect of the continuing recession in the company's major markets, particularly Japan and Europe."

Cathay has suffered the additional disadvantage of Hong Kong's high inflation; it was the airlines' push to control operating costs, that ultimately resulted in the flight attendants' strike.

Passengers carried during the first half of the year totalled 4.1m, a rise of 3 per cent. However, the airline's load factor fell 3 per cent, as a result of increased capacity from two new aircraft.

Steel division lifts Sandvik in first half

By Christopher Brown-Humes in Stockholm

SANDVIK, the Swedish engineering group, boosted first-half profits by 10 per cent to SKr994m ($123.5m) as a sharp improvement at its steel division offset the impact of continued weak demand.

It said it remained on course to increase 1993 profits above last year's SKr1.53bn.

The stronger Swedish krona helped the group lift sales by 25 per cent to SKr10.7bn, while orders rose 28 per cent to SKr11.3bn.

Excluding acquisitions and currency movements, sales were 4 per cent lower. Demand was "very weak" in Europe, particularly in Germany, and there was little evidence of recovery in Japan, the company said. However, it noted relatively strong growth in Australia and Asia and some growth in North America and most of Latin America.

The star performer was the steel division, where profits rose to SKr231m from SKr95m on a 24 per cent increase in revenues to SKr3.25bn. The weaker krona helped the group lift volumes.

The cemented carbide division lifted profits to SKr650m from SKr586m as sales swelled 34 per cent to SKr5.87bn. But the process systems division swung to a SKr24m loss from a SKr26m profit.

Avesta Sheffield back in black in second quarter

By Christopher Brown-Humes

AVESTA Sheffield, the Anglo-Swedish stainless steel producer, yesterday disclosed a second-quarter profit of SKr9m ($1.12m), a strong turnround on the SKr53m loss for the first three months.

The group attributed the better performance to improved productivity, rather than to a market upturn. It did not provide comparative figures as it was only formed through the merger of Avesta and British Steel Stainless last November.

First-half sales amounted to SKr7.14bn, against SKr11.6bn for all 1992. Operating profit after depreciation was SKr142m, compared with a SKr180m loss for all 1992.

Lower financial expenses left the group with a loss after financial items of SKr44m after including a negative SKr49m adjustment for changes in inventory values.

The group said its strong position in the recovering UK and North American markets should offset weak demand in most of Europe in the second half.

It expects to show a considerable improvement on last year's SKr564m loss.

Philip Morris pegs dividend

By Martin Dickson

PHILIP MORRIS, the food and tobacco group which set off a price war in the US cigarette industry last April by slashing the price of its Marlboro brand, yesterday disappointed Wall Street by not increasing its quarterly dividend.

It declared it would pay its existing 65 cents-a-share dividend to investors on October 12, dashing analysts' hopes of an increase of up to 7 or 8 per cent.

Philip Morris shares fell $3 on the news, to stand at $48½ in lunchtime trading on the New York Stock Exchange.

Time	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.00	20.50	24.12
0100	18.11	19.85	23.60
0130	[illegible]	19.85	23.68
0200	18.17	19.85	23.58
0230	18.11	19.85	23.54
0300	18.11	19.85	22.57
[illegible]	18.11	19.85	23.59
0400	[illegible]	19.85	23.59
0430	18.11	19.85	23.58
0500	18.11	34.00	38.11
0530	18.10	18.01	18.01
0600	18.09	18.01	18.01
0630	18.10	17.88	17.98
0700	18.07	20.78	24.58
0730	23.76	22.18	26.92
0800	25.84	24.16	27.82
0830	27.22	24.38	27.87
0900	28.52	25.01	28.43
0930	28.60	27.22	30.70
1000	28.89	27.22	30.65
1030	29.88	27.23	30.67
1100	29.82	27.23	30.69
1130	29.76	31.60	36.23
1200	29.75	34.00	37.70
1230	29.60	34.00	37.65
1300	28.68	34.00	37.82
1330	27.83	26.85	30.24
1400	27.78	25.64	29.01
1430	28.83	25.64	29.02
1500	28.83	25.64	29.02
1530	28.83	25.64	29.02
1600	28.04	25.64	29.02
1630	28.07	25.64	29.00
1700	36.95	38.53	40.21
1730	36.93	38.53	40.21
1800	36.90	38.52	40.23
1830	25.88	38.52	40.25
1900	25.93	24.28	[illegible]
1930	25.63	24.16	27.54
2000	24.72	22.36	25.72
2030	32.45	22.36	25.75
2100	36.00	22.39	25.73
2130	36.00	36.00	39.77
2200	32.45	36.00	39.77
2230	24.72	36.00	38.82
2300	23.76	32.80	36.59
2330	23.76	22.18	25.64

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INTERNATIONAL CAPITAL MARKETS

European sectors rally sharply on rate cut hopes

By Peter John in London and Patrick Harverson in New York

GROWING expectations that Germany will cut its key interest rate today helped all the main European government bond markets to rally sharply.

Confidence in a move by the Bundesbank grew as a survey of 12 German economists showed that the majority expect the discount rate, which sets the floor for German interest rates, to fall by half a point to 6¼ per cent. This compares with a consensus in the UK of a quarter point cut, dealers said.

GOVERNMENT BONDS

Also, the latest German regional inflation data showed that price rises in western Germany were slowing down.

However, yesterday's Bundesbank repo was carried out at an unchanged 6.80 per cent rate and one economist said: "All things being equal, the Bundesbank has no more reason to cut this time than last time."

At the last council meeting before the summer recess a discount rate reduction had been widely flagged, but only the Lombard rate, which sets the ceiling for lending, was altered.

Another economist argued that the traditional refusal of the Bundesbank to bow to market pressures made it even less likely to ease by a half point following the German economists' forecast. On balance, the rate-cut logic would not go away and bund futures on Liffe gained 36 basis points to end at 97.52.

■ FRENCH government bonds surged ahead yesterday with the futures contract breaking through several support levels to record a gain of 66 basis points at 122.94.

The rally was led by the futures with heavy turnover of 140,000 contracts. The bullish tone was reinforced by a purchase of 10,000 call options, a bullish trade which gives the investor the right but not the obligation to buy at a fixed price and time.

Dealers said much of the rise was technical with stop-loss buying triggered at certain points and the "feel-good" effect of the market deterring any sellers.

This was helped by a stronger franc against the D-Mark and the fundamental view that France needs to cut rates more than Germany.

Ten-year French government bond yields fell further through German yields yesterday, to 5 basis points below the German 10-year bond.

■ IN THE UK, concerns of a significant shift of assets away from the gilts market faded as long-dated paper responded to the rate cut euphoria.

Most dealers had heard strong rumours that Middle Eastern investors were taking profits on Tuesday. The rumours prompted a number of traders to take short positions, but as the speculation lost ground, books were squared and prices squeezed higher in a thin market.

Long gilt futures for September recovered nearly half a point to close at 112⅞.

■ HIGH-yielding markets, which have greater room for interest rate manoeuvre in the event of a German cut, were particularly strong yesterday.

Spanish debt prices received additional impetus from the encouraging wage negotiation talks between the government and unions. Also the Spanish peseta broke through Pta80 against the D-Mark. Italian government bonds also rose sharply with the futures contract lifting more than a point to 113.44.

■ US Treasury prices were mixed across the maturity range yesterday morning, with shorter-dated securities buoyed by talk that the Federal Reserve was buying notes for a foreign central bank.

By midday the benchmark 30-year government bond was down $\frac{1}{16}$ at 100$\frac{21}{32}$, yielding 6.199 per cent. At the short end of the market, the two-year note was up ⅛ at 100$\frac{1}{32}$, to yield 3.842 per cent.

Prices rose in early trading on the news that durable goods orders fell 3.8 per cent in July.

The gains, however, were short-lived when traders realised that the decline in orders was entirely due to a fall in the always volatile aircraft sales component.

Excluding transportation orders, durable goods orders actually rose 1.8 per cent in July.

FT FIXED INTEREST INDICES

	Aug 25	Aug 24	Aug 23	Aug 20	Aug 19	Year ago	High *	Low *
Govt Secs (UK)	101.63	101.51	101.68	101.77	102.07	87.25	102.38	93.28
Fixed Interest	123.96	123.97	123.93	124.27	124.51	103.34	124.54	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 124.54 (18/8/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Aug 24	Aug 23	Aug 20	Aug 19	Aug 18
Gilt Edged Bargains	93.2	92.5	92.4	101.2	110.9
5-Day average	98.0	100.1	101.6	106.8	112.7

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	118.1302	+0.628	6.95	6.89	7.13
BELGIUM		9.000	03/03	112.8000	+0.100	7.11	7.09	7.15
CANADA *		7.500	12/03	104.4800	+0.530	6.88	7.01	7.34
DENMARK		8.000	05/03	106.5000	-0.250	6.77	6.73	7.16
FRANCE	BTAN	8.000	05/98	109.1468	+0.379	5.71	5.79	6.25
	OAT	8.500	04/03	116.8000	+0.620	6.26	6.35	6.79
GERMANY		6.500	07/03	[illegible]	+0.360	6.27	6.33	6.51
ITALY		11.500	03/03	111.5450	+0.965	9.85†	10.12	11.06
JAPAN	No 119	4.800	06/99	104.8422	+0.397	3.79	3.77	3.95
	No 157	4.500	06/03	101.8362	+0.317	4.24	4.20	4.14
NETHERLANDS		7.000	02/03	105.9200	+0.290	6.15	6.20	6.33
SPAIN		10.300	06/02	106.6750	+0.550	9.15	9.34	10.29
UK GILTS		7.250	03/98	103-20	+3/32	6.33	6.33	6.74
		8.000	06/03	107-08	+5/32	6.96	6.95	7.46
		9.000	10/08	114-26	+4/32	7.36	7.28	7.86
US TREASURY *		5.750	08/03	101-24	+17/32	5.52	5.69	5.94
		6.250	08/23	100-25	+18/32	6.19	6.25	6.71
ECU (French Govt)		8.000	04/03	108.5000	+0.150	6.77	6.81	7.27

London closing. *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

KOP offers $100m in notes as part of recapitalisation

By Hugh Carnegy in Stockholm

KANSALLIS-Osake-Pankke, the leading Finnish bank, said yesterday it was issuing perpetual subordinated notes worth $100m in international markets as part of its bid to recapitalise following a period of heavy losses without falling back on direct government aid.

KOP said the issue, the latest move in a programme to raise about FM4bn from share and bond issues, was being made without recourse to government guarantees which the Helsinki authorities last week agreed in principle to make available to KOP and Unitas, Finland's second-largest bank.

The new KOP notes have a maturity of 50 years and carry a coupon of two points above the London interbank offered rate (Libor) until the fifth year, when the coupon will rise to Libor plus 3.5 points. The issue is being lead managed by Salomon Brothers International.

KOP is, in effect, paying a premium for the notes by not making use of the government guarantee. But the bank said the price was reasonable given the guarantee fees it avoided and the importance to KOP of remaining independent.

The bank last week announced an international share issue of up to FM1bn to add to the FM1bn already raised from a share issue earlier this year. It has also raised FM250m in an earlier bond issue and intends to raise a total of FM2bn in bonds.

KOP, which last year took up a FM1.7bn injection from the state in preference capital, believes it can maintain a capital adequacy ratio of 10 or 11 per cent – above the 8 per cent international minimum – without further recourse to government aid despite not anticipating a return to profit until 1995.

BT issue injects liquidity to Eurosterling's long end

By Antonia Sharpe

BRITISH Telecommunications yesterday returned to the international bond market after a three-year absence, and its £500m issue of 10-year Eurobonds injected badly-needed liquidity into the long end of the Eurosterling market.

Corporate yield spreads have tightened substantially since the start of this year because demand for long-dated, non-government sterling paper has far outstripped supply.

According to SG Warburg Securities' corporate unsecured index, the spread over gilts for maturities of 10 years or more has fallen from 153 basis points at the end of 1992 to around 90 basis points.

As a result of the lack of supply, many of the sterling Eurobond issues launched earlier this year have become illiquid and are trading at a large premium to par.

But the joint lead manager,

INTERNATIONAL BONDS

SG Warburg, said that BT's bonds should keep their liquidity because of the large size of the issue.

The bonds, which carry a coupon of 7⅛ per cent, were priced to yield 18 basis points over the 8 per cent gilt due 2003. When they were freed to trade the spread tightened to 15 basis points. The all-in cost of the unswapped deal to the issuer was 23 basis points over gilts.

Treasury officials at BT said the proceeds of the issue would be used for general corporate funding. BT, which repaid over £1bn of its debt last year to bring its gearing below 20 per cent, has £800m worth of scheduled repayments over the next two years.

Meanwhile, syndicate managers are waiting for the World Bank to decide who will lead its next global dollar bond. The World Bank said that the winners of the mandate were likely to be announced early next week.

The offering is expected to raise $1.25bn and have a maturity of 10 years. The World Bank said that discussions on the spread over US Treasuries had ranged from 10 to 17 basis points. Some syndicate managers expect the issue to be priced at a spread of 14 to 16 basis points.

The Eurodollar sector was active across the yield curve, as more borrowers took advantage of the continued demand for dollar-denominated paper.

At the short end, Finland's $250m offering of three-year Eurobonds offered further evidence that investors were looking more favourably on Scandinavian borrowers.

The bonds were priced to yield 28 basis points over underlying US Treasuries.

At the long end, Bellsouth Telecommunications raised $300m through an offering of 15-year Eurobonds which syndicate managers said was fairly priced at 50 basis points over the 5¾ per cent US Treasury due 2003.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Bellsouth Telecommunications	300	6.125	99.88R	Sep.2008	0.4R	+50 (5¾%-03)	Morgan Stanley Intl.
Republic of Finland	250	4.5	99.875R	Sep.1996	0.1875R	+28 (6¾%-96)	Swiss Bank Corp.
Credito Italiano(HK Branch)‡	150	(a)	100R	Sep.2003	0.5R	-	Credito Italiano/K.Peabody
Kansallis-Osake-Pankki(b)‡	150	(b)	99.85R	undated	1.0R	-	Salomon Brothers Intl.
Girocredit Bank‡	100	(c)	100R	Dec.2003	0.5R	-	Merrill Lynch Intl.
Sparekassen Sikuben(d)‡	80	(d)	99.8R	Sep.2000	0.85R	-	Chemical Investment Bank
STERLING							
BT	500	7.125	99.16R	Sep.2003	0.335R	+18 (8%-03)	Lehman Bros./ SG Warburg
Alliance & Leicester BS	200	(e)	99.375R	Sep.1998	0.175R	-	Samuel Montagu & Co.
FRENCH FRANCS							
Crédit National(f)	1bn	7.25	104.88R	May.2003	0.375R	+32 (8¾%-03)	CCF
GUILDERS							
Aegon(g)	150	6.5	99.8	Sep.2003	undisd.	+35 (h)	Bk.van Haften Labouchere
ITALIAN LIRA							
DSL Bank(i)	150bn	8.9375	100R	Oct.2003	0.325R	-	Banca di Roma
SWEDISH KRONOR							
Vattenfall Treasury	500	7.375	101.75	Sep.1998	1.875	-	SHB, London Branch
SWISS FRANCS							
Japan Highway Public Corp.	450	4.5	102.25	Sep.2003	-	-	IBJ (Schweiz)

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) Coupon pays 6-month Libor - 0.1875%; minimum 5.75%, maximum 10%. b) Coupon pays 6-month Libor + 2% for first 5 years and + 3.5% thereafter. Callable at par on any coupon payment date from September 1998. c) Coupon pays 6-month Libor - 0.25%; minimum 5.5%, maximum 8% for first 5 years and 8.5% thereafter. Short last coupon pays 3-month Libor - 0.25%. d) Issue launched on 24/8/93 was increased to $150m. Coupon pays 6-month Libor + 1.1% for years 1 - 4 and + 2.5% thereafter. Callable at par on any coupon payment date from September 1997. e) Coupon pays 3-month Libor + 0.0625%. f) Fungible with the outstanding FFr3bn. Plus 128 days accrued interest. g) Issued on tap until 1/10/93. Minimum amount Fl150m; borrower intends to raise Fl500m. Initial issue price is recorded. h) Spread is over interpolated yield curve. i) Callable at par on any coupon payment date after 2 years.

Sumitomo aims to establish securities unit

SUMITOMO Trust & Banking will apply to set up a securities dealing subsidiary this autumn, Reuter reports from Tokyo.

The bank said in March that the subsidiary was likely to be capitalised at around Y10bn. This level of capital looks set to rise since Sumitomo plans to let the unit engage in government bond trading.

Financial reforms allowing banks and brokerages to enter each other's turf through subsidiaries took effect in April.

So far, Industrial Bank of Japan, Long-Term Credit Bank of Japan and Norinchukin Bank, the main agricultural co-operative bank, have set up securities arms.

Sumitomo Trust and Mitsubishi Trust & Banking have said they would join the business in 1993-1994.

Japan's big commercial banks are not allowed to set up securities subsidiaries before next July.

Turkey allows equity mutual funds on ISE

TURKEY'S Capital Markets Board (SPK) is to allow equity-based mutual funds to be floated on the Istanbul Stock Exchange, Reuter reports from Istanbul.

Mr Caner Ertuna, SPK's deputy head, said the decree allowed for the establishment of index-based mutual funds with an obligation to invest at least 85 per cent of their portfolio in shares making up the ISE index. Turkish equity funds now total more than TL3,000bn.

Mr Ertuna said: "The new regulations will play an important role to develop financial markets and benefit more efficiently from these markets in privatisation. A parallel market will develop and the government will be able to sell a larger portion of its shares to these funds."

The recent implementation of tax advantages to mutual funds had unleashed a flurry of new fund issues.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 8:55 pm on August 25

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
Abbey Natl Treasury 6½ 03	1000	102⅜	102⅝	+⅛	6.16
Alberta Province 9⅞ 95	600	110	110⅛	+⅛	4.43

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
Arbed 7½ 95 LFr	600	100	101		7.46
Genfinance Lux 9½ 99 LFr	1000	108⅞	110½		7.25
World Bank 8 99 LFr	1000	102	103		7.12

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	56	4	19
Other Fixed Interest	3	0	12
Commercial, Industrial	440	152	830
Financial & Property	267	63	487
Oil & Gas	34	11	36
Plantations	0	0	8
Mines	40	35	58
Others	74	18	32
Totals	916	283	1,482

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

pm Price at a premium. † Price offered to public.
For other notes please refer to the Guide to the London Share Service.

TRADITIONAL OPTIONS

- First Dealings Aug. 23
- Last Dealings Sept. 10
- Last Declarations Nov. 25
- For settlement Dec. 6

3-month call rate indications are shown in Saturday editions.

Calls: Aminex, Aran Energy, Avesco, Bulmer (HP), Chloride, City of London, Dickie (J), MB Caradon, Psion and SEP. Puts: Herring Baker and LIT Ord. Puts & Calls: Arcon, Babcock and Psion.

LIFFE EQUITY OPTIONS

Option		CALLS Oct	Jan	Apr	PUTS Oct	Jan	Apr
Allied-Lyons	500	30	49	38	11½	24½	27½
(*521)	550	12	20	33½	38	51½	54
Argyll	330	26½	33½	41	8	15	19
(*348)	360	10½	18½	26	23½	31½	34½
ASDA	57	12	-	-	1½	-	-
(*68)	67	4	-	-	4½	-	-
Brit Airways	345	19½	30	-	14	24	-
(*347)	360	13	22½	30	23½	32½	36½
Smith Bchm A	420	40½	51½	60	6	17½	22
(*447)	460	17½	30½	39½	28½	39½	41
Boots	480	34	48½	59½	7	14	19
(*498)	500	14	23	33½	34	33	36
BP	300	24	31½	38	4	9	12½
(*317)	330	6	16	20½	18½	23½	27
British Steel	110	11	16½	20	8½	9½	12
(*114)	120	6	11½	16	11½	15½	17½
Bass	500	36	44½	61	11	24½	30½
(*522)	550	11	18½	27	37½	54	60½

Option		CALLS Oct	Feb	May	PUTS Oct	Feb	May
Grand Met	460	21	33½	41	15½	28	32½
(*462)	500	7	18	23½	43	53	58½
Ladbroke	200	14½	21½	24	11	18½	22½
(*205)	220	5½	13	15½	24½	29	35
Utd Biscuits	360	31½	42½	45½	9½	18½	28½
(*381)	390	14½	27	30	25½	34	42½

Option		CALLS Oct	Dec	Mar	PUTS Oct	Dec	Mar
Pisons	180	12½	16½	22½	9	15	18½
(*181)	200	5	8	14	23	28	32

Option		CALLS			PUTS		
Amstrad	30	5	7	8	1	2	[illegible]
(*34)	35	2	4	[illegible]	3	4½	5½
Barclays	500	32	39	51	6	16	26
(*514)	550	2½	15	28	38½	46	[illegible]
Blue Circle	260	14	23	28	4½	15½	20½
(*268)	280	4	13½	21	15½	27½	31
[illegible]	330	8	16	23½	4	15	19
(*333)	360	1	6½	11½	28	38	37½
Dixons	220	20	30	36	3	10½	14½
(*234)	240	6½	18	36	12	19½	24½

PUTS

Sep	2½	5	9½	21	43½	77	124	174
Oct	9½	15	24	39	62	90½	128	174
Nov	18½	27½	39½	57	78	106	139	179
Dec	27	38	50½	68½	89	116	147	184
Jun †	70	-	103	-	144	-	195	-

August 25 Total Contracts 37,346
Calls 15,460 Puts 21,886
FT-SE Index Calls 3,477 Puts 4,765
Euro FT-SE Calls 1,680 Puts 1,214
*Underlying security price. † Long dated expiry months.
Premiums shown are based on closing offer prices.

FT-SE ACTUARIES INDICES

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FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Wed Aug 25	Day's change %	Tue Aug 24	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (24)	128.82	+0.04	128.57	1.44	7.91
2	5-15 years (23)	154.78	+0.19	154.49	1.49	9.24
3	Over 15 years (9)	173.25	+0.15	173.00	1.12	8.55
4	Irredeemables (6)	202.21	-0.20	203.74	[illegible]	[illegible]
5	All stocks (62)	150.33	+0.13	150.14	1.42	8.75
	Index-Linked					
6	Up to 5 years (2)	[illegible]	+0.22	188.17	0.40	3.41
7	Over 5 years (11)	188.62	+0.25	188.18	0.73	3.42
8	All stocks (13)	180.36	+0.24	179.92	0.69	3.41
9	Debs & Loans (65)	142.50	+0.11	142.44	1.92	7.62

	AVERAGE GROSS REDEMPTION YIELDS		Wed Aug 25	Tue Aug 24	Year ago (approx.)
	British Government				
1	Low	5 years	6.40	6.42	9.08
2	Coupons	15 years	7.18	7.20	9.09
3	(0%-7¾%)	20 years	7.31	7.32	9.09
4	Medium	5 years	6.53	6.54	9.87
5	Coupons	15 years	7.33	7.35	9.35
6	(8%-10¾%)	20 years	7.41	7.42	9.23
7	High	5 years	6.73	6.75	10.11
8	Coupons	15 years	7.58	7.58	9.58
9	(11%-)	20 years	7.58	7.60	9.43
10	Irredeemables(Flat Yield)		7.48	7.47	9.29
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.58	2.82	4.50
12	Inflation rate 5%	Over 5 yrs.	3.29	3.31	4.68
13	Inflation rate 10%	Up to 5 yrs.	1.75	1.81	3.72
14	Inflation rate 10%	Over 5 yrs.	3.11	3.12	4.47
15	Debs &	5 years	7.81	7.84	11.07
16	Loans	15 years	8.19	8.20	10.73
17		25 years	8.32	8.32	10.55

CarnaudMetalbox sale hits half-year outcome

By Maggie Urry

INTERIM RESULTS from MB-Caradon were hit by the sale for £467m net of tax and expenses of its 25.3 per cent stake in CarnaudMetalbox in April and by competitive trading conditions in some of its markets.

However, translation of overseas profits at lower sterling exchange rates boosted pre-tax profits, which, excluding exceptional items, were 2 per cent lower at £59.5m. Operating profits, which ignore the affect of the CMB sale, rose 20.5 per cent to £51.2m.

Earnings per share fell from 7.8p to 7.2p, excluding exceptional items, because of the dilution from the sale of the CMB stake. Including exceptionals earnings were 24.5p. The interim dividend goes up 3 per cent to 2.83p (2.75p).

The CMB stake contributed £5.2m (£20.6m) in associate income during the half year to end-June, and the proceeds of the sale reversed an interest charge of £2.5m to interest receivable of £3.1m.

It also produced an exceptional profit of £100.3m, against which a £7m provision was set relating to the restructuring of the UK cheque printing operation.

The group, which is changing its name to Caradon, increased turnover by 13.5 per cent to £368.4m, including £2.9m of sales from the US Checks in the Mail business bought at the end of May.

Turnover from the UK building products division increased 10 per cent to £205.4m, with volumes up 11 per cent and prices down 1 per cent. Operating profits fell 3 per cent to £17.3m.

Mr Peter Jansen, chief executive, said that pricing was particularly competitive in bathroom products. He said signs of recovery were mixed but this was normal at this stage of the cycle and the group was fairly confident.

Overseas building products, largely continental Europe, increased turnover by 18 per cent to £63.4m, but in local currency terms turnover was static with volumes down 3 per cent and prices up 3 per cent.

Operating profits rose 33 per cent to £10m, again boosted by currency translation. Mr Jansen said business on the Continent held up relatively well, with the German construction industry benefiting from changing social needs.

Security printing turnover rose 32 per cent to £99.6m, though in dollar terms the US business increased sales 1 per cent, with volumes up 5 per cent and prices down 4 per cent. Operating profits were 40 per cent higher at £23.9m, including a £600,000 contribution from Checks in the Mail.

RTZ will net some £900m from Pillar disposals

By Kenneth Gooding, Mining Correspondent

RTZ CORPORATION, the world's biggest mining company, will have raised about £1.2bn cash from disposals once it banks the money from the sale of the Pillar businesses. But don't expect it to go on a buying spree.

Mr Bob Wilson, chief executive, said the cash – including $600m (£403m) from the sale of oil, gas and gold assets from the Nerco US coal company acquired for $1.1bn earlier this year – would not open up any new opportunities for RTZ, which was continuously looking for mining investments around the world.

But these opportunities came along only sporadically and RTZ had no deals nearing completion in the next few months.

Sir Derek Birkin, RTZ's chairman, said the sale of Pillar "is consistent with RTZ's strategy of concentrating solely on our world-class mining assets where we have strong competitive advantages."

The deal with MB-Caradon was signed at 7.31am yesterday, after months of negotiations. MB-Caradon said it first asked RTZ 18 months ago if Pillar might be for sale and was told it could be at the right price. But MB-Caradon could not move until it had sold its stake in CarnaudMetalbox, a process it put in train early this year.

Mr Wilson said MB-Caradon made its approach six months ago, after which RTZ discreetly canvassed other potential buyers and also considered breaking up Pillar before deciding on the chosen route. "We have satisfied ourselves we got the best-possible deal."

Earlier this year RTZ sold various smaller Pillar operations, principally the Skipper vehicle distribution business in the UK, for £30m.

The remaining Pillar operations suffered "modest" losses last year, Mr Wilson said. These are to be disposed of "as soon as practicable".

RTZ said that including the earlier sale and on completion of all the Pillar transactions, together with tax previously provided for, RTZ would realise about £900m.

Last year, net earnings of the whole Pillar business were £20m after charging £10m after tax in reorganisation costs.

Once all the Pillar assets are sold RTZ expects to face an exceptional loss of about £165m after writing back goodwill – mainly arising from the 1988 acquisition of the minority interests of Indal in Canada – and other accounting adjustments. RTZ said that, without the write-back of goodwill, there would have been a profit of about £245m, representing a 40 per cent premium on net asset value.

On completion of the sale to MB-Caradon, RTZ's gearing will fall from about 40 per cent to 14 per cent.

Bold deal soothes anxious onlookers

Maggie Urry on why RTZ's £800m disposal solves MB-Caradon's predicament

THE enthusiastic response by the stock market to MB-Caradon's purchase of RTZ's industrial activities was as much relief at the deals not done as a welcome for the acquisition.

MB-Caradon was in a tricky situation. In April it raised £467.5m net of costs from selling its quarter stake in CarnaudMetalbox, the packaging group, and the money was burning a hole in its pocket.

With a market capitalisation yesterday morning of £1.43bn, the CMB money represented almost a third of MB-Caradon's worth.

With interest rates low, the return on the cash was negligible compared to what it could be earning if invested in a business. That was bound to depress the group's current year earnings.

So MB-Caradon needed to put that money back to work as quickly as possible, and wanted to invest in the area of building products which it regards as its core.

At the same time, the stock market was pushing up the prices of likely target companies as it anticipated the effect of recovery on such cyclical stocks.

The market feared that MB-Caradon's urgent need to invest would draw it into a hostile bid for a quoted company, and force it to pay well over the odds.

Said one analyst yesterday: "The RTZ deal is the answer to a maiden's prayer. As far as buying a quoted company goes, MB-Caradon was left for dead. The market had pushed up prices, leaving no room for a takeover premium."

Another concern was MB-Caradon's earlier intention to expand in European building materials. With recession still deepening in continental Europe, but asset prices not yet reflecting that, it would have been just the wrong time to buy.

The £800m deal announced yesterday to buy most of RTZ's Pillar group of industrial businesses is by far the better solution.

It takes MB-Caradon into the North American building products market, and adds leading brands in the UK, such as MK Electric, Friedland, Catnic and Duraflex.

Ashley Ashwood

Peter Jansen (left) and Antony Hichens will be pushing through margin enhancment from 2.9 per cent in North America

The European business is relatively small at 8 per cent of turnover.

The acquisition price might look high at first – the exit p/e on stated pre-tax profits of £51.3m is about 24. But that is after £16.5m of head office costs – which MB-Caradon might halve – and £8.6m of reorganisation costs. Adjusting for those and the pension contribution MB-Caradon will have to pay, the exit p/e for 1992 might be nearer 19, somewhat below the building materials sector rating.

Even so, the deal is a bold step. It will double the size of MB-Caradon's building products operations, and brings in a few businesses about which the group knows nothing.

But in spite of its short history, MB-Caradon is no stranger to the big deal. And Mr Peter Jansen, chief executive, and his team have built a faithful following in the City.

The original business of Caradon was formed in 1985 through a £61m management buy-out of the building activities of Reed International, which was beginning to concentrate on its publishing interests.

Mr Jansen came in as chief executive and Mr Antony Hichens as chairman, positions they still hold. They had worked together at Redland, the building materials group.

In 1987 Caradon floated at a market value of £134.4m and the following year it acquired Everest double glazing plus its consumer finance business, also from RTZ, for £80m.

The next big deal came in 1989 when Caradon reversed into MB Group, which had just merged its packaging subsidiary into CarnaudMetalbox. MB paid £338m for Caradon, but it was soon clear that the Caradon management would run the show.

The CMB stake always looked out of place, but it was not till this year that it could be sold for a good price.

Mr Jansen said MB-Caradon first approached RTZ about the Pillar businesses 18 months ago, beginning detailed negotiations once the CMB stake had gone.

The talks must have involved some hard bargaining. RTZ was keen to sell the whole of the Pillar business, but MB-Caradon only wanted the building products activities.

In the eventual compromise, MB-Caradon has ended up with businesses making 72 per cent of sales from building products, another 12 per cent from automotive components, which will fit with MB-Caradon's existing automotive businesses, and the rest in areas the buyer knows little about but believes has some value.

The success of the deal depends on MB-Caradon pushing Pillar's margins up to its own levels.

In 1992, the Pillar businesses being acquired made an operating profit of £75.4m on sales of £981m, a margin of 7.7 per cent.

MB-Caradon's own building products activities had turnover of £500.8m and operating profits of £54.1m, a 10.8 per cent margin.

The particular area of concern must be North America, where turnover of £333m from building products in 1992 produced profits of only £9.5m, a margin of 2.9 per cent.

The hope must be that MB-Caradon can inject its sales and marketing flair into the RTZ activities. It aims to bring its ideas of branding and differentiation to the Pillar businesses.

Mr Jansen gave a clue as to what might happen yesterday when he said that Peachtree, which makes wooden doors and windows in the US, was an upmarket product with a downmarket sales approach, suggesting that prices could be pushed higher while quality was emphasised.

With about 13 per cent of the US market for windows and doors, MB-Caradon reckons that it has a good position to build on.

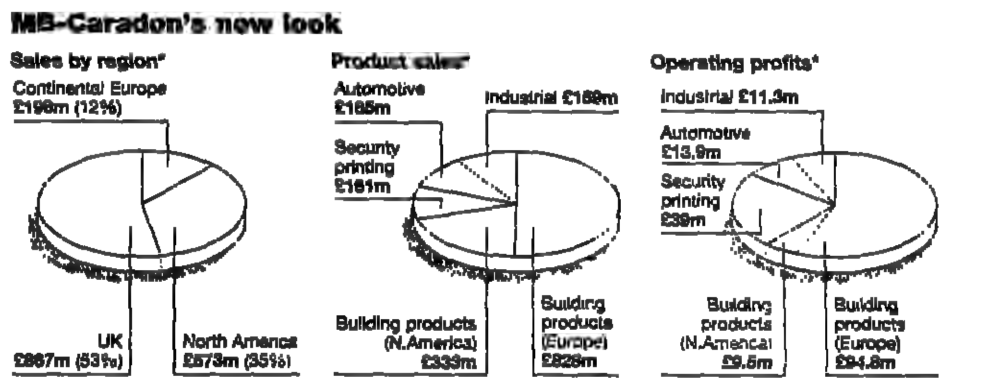
While Mr Jansen, a Dutchman, still hopes to expand in Europe in the longer term, in the next couple of years at least, the group will be riding the UK and US economic cycles and pushing through margin enhancement.

Yesterday analysts were pencilling in a strongly advancing profit and earnings per share path.

The deal, due to be completed at the end of October, will make little difference to current year profits, which were already forecast at about £125m before exceptionals and tax.

But for 1994, analysts are looking at numbers of about £200m and perhaps between £240m and £250m for 1995. That suggests a p/e reducing sharply from the prospective multiple for 1993 of about 22.

From a £61m mbo to profits of £250m in 10 years would be an impressive record, justifying the City's faith in the MB-Caradon team.



NB There is an additional £8m turnover in other countries

*1992 proforma for enlarged group

Circulation levels strong despite rise in cover price

The Telegraph reports 60% rise to £34.6m

By David Blackwell

THE TELEGRAPH newspaper group, which publishes The Daily Telegraph and The Sunday Telegraph, boosted interim pre-tax profits by 60 per cent and lifted the dividend by 22 per cent.

The group attributed the rise to strong circulation levels, a satisfactory advertising performance, and a slight fall in the price of newsprint.

Mr Conrad Black, chairman, said that the directors had had sufficient confidence in the results to boost the dividend to 5.5p (4.5p) "despite inconclusive evidence that the recession is ending."

Pre-tax profits for the six months to end-June rose to £34.6m, against £21.6m previously, while turnover improved from £119.9m to £128.1m. Earnings per share advanced to 16.6p (11.1p). The shares closed up 29p to 418p.

At the operating level profits rose from £19.1m to £23.8m. Included in the pre-tax figure was £6.5m from the sale in February of the group's stake in Trinity International Holdings, and £4.4m (£1.8m) in income from associates. The latter rise reflected a strong performance at Fairfax, the Australian publishing group, which saw circulation revenues expand 13 per cent and advertising revenues improve by 5 per cent.

The Telegraph had 18.1 per cent of the Fairfax voting stock at the end of June, and now holds 19.9 per cent with options and convertible notes to take its stake up to 25 per cent. By the end of the year a further £28m will be needed to complete the investment programme, taking the total investment to £115m.

Ashley Ashwood

Conrad Black: inconclusive evidence of an end to the recession

Revenue from circulation was up 9.4 per cent at £56.8m. Circulation of The Daily Telegraph, which increased its cover price in February from 45p to 48p, fell by 1.8 per cent to 1.02m copies in the first half of the year, according to the Audit Bureau of Circulations. In the same period average quality newspaper circulation fell by just over 3 per cent.

The group said that the Saturday edition of The Daily Telegraph had maintained sales of over 1.2m in the first half, while The Sunday Telegraph had increased sales by more than 16,000.

Overall advertising revenue was ahead 4.3 per cent at £67.9m, with a rise of 10 per cent in display offset by a fall of 3.6 per cent in classified. Classified recruitment advertising was half the 1989 level.

Advertising made up 54 per cent of the total newspaper revenue and circulation contributed 46 per cent, compared with 56 and 44 per cent respectively in the corresponding period.

Mr Black said that the outcome for the next six months would "depend largely on any level of upturn in the advertising market."

In addition to the expansion of the stake in Fairfax, The Telegraph invested £67m to take an effective 9.36 per cent increase in Southam, the Canadian newspaper group.

BSkyB behind advance at News Intl

By David Blackwell

A MOVE into profits at BSkyB, the satellite television venture, and a £45m swing on interest helped to boost pre-tax profits at Mr Rupert Murdoch's News International from £48.1m to £161.2m for the year ended in June.

Turnover edged ahead by 2 per cent to £708m, from £696.2m previously. However, operating profits for the group - which publishes The Sun, The Times, The Sunday Times and other UK newspapers - rose to £140.9m from a previous £124.9m, a rise of 13 per cent, reflecting an increase in margins.

The group, a subsidiary of the Australian News Corporation, said that revenues from circulation and advertising remained relatively flat throughout the year. But it had continued to benefit from reduced overhead costs and increased efficiency through plant modernisation.

News International said that the benefit of declining interest rates and the effect of new financing arrangements had led to net income from interest of £1.6m compared with a net interest charge of £43.4m for the previous year.

BSkyB, in which News International has a 50 per cent stake, contributed £26.7m following a loss of £13.3m previously. Total losses from associates in 1991-92 were £17.3m. Pearson, owner of the Financial Times, also holds a significant stake in the satellite television company following the merger of Sky Television and British Satellite Broadcasting in November 1990.

Analysts estimate that the total trading profit for BSkyB for the full year was £60m before interest on its guaranteed loan facility estimated at between £6m and £7m. They expect the business, now reaping the benefits of the merger, to increase trading profits to about £150m in the coming year. However, shareholders in BSkyB have yet to earn a return on their investment.

Profits also benefited from a reduction in losses on sales of fixed assets from £16m to £7.9m.

Earnings per share were 15.27p, up from 3.95p. The pay-out on special dividend shares is 1.369p, made up of an interim 0.701p and a final of 0.668p. This compares with 0.997p for 1991-92, comprising 0.524p and 0.453p.

Independent Newspapers leaps

By Tim Coone in Dublin

INDEPENDENT Newspapers, the Irish publishing group, reported pre-tax profits doubled to I£14.6m (£13.6m) for the half year to June 30. Turnover was up 5 per cent to I£81.5m.

The increase in profits from the previous I£7.01m was primarily due to an exceptional credit of I£2.65m and a sharp reduction in interest charges.

The exceptional item represented a gain of I£3.62m resulting from the disposal of a 2 per cent holding in Mirror Group Newspapers, less redundancy costs in Irish operations.

Net interest charges fell to I£751,000 as a result of the conversion to ordinary shares of the 1991 I£30m convertible capital bond issue before the coupon became payable this year. Total shares in issue have increased from 37m last year to some 68m as a result of the conversion and a 2-for-3 scrip issue earlier this year, and will finally amount to 79m on a fully diluted basis.

The interim dividend goes up to 4p (3.3p), payable from earnings of 17.9p (9.7p restated).

Mr Tony O'Reilly, chairman, reported improvements across the group with increases in advertising market share and higher profit contributions from national and provincial titles in Ireland.

Australian Provincial Newspapers, in which the group has a 25 per cent stake, reported a first half pre-tax profit of A$11.6m (£5.2m), up from A$5.1m.

Mr O'Reilly said that he anticipates the cable TV subsidiary in Ireland to have 100,000 subscribers by the year-end, up from 66,000 at the end of 1992.

New £135m reinsurance group underlines interest in sector

By Richard Lapper

BARCLAYS DE Zoete Wedd is organising finances for a new Sydney-based reinsurance company in a move reflecting growing investor interest in the market for catastrophe reinsurance.

Reinsurance Australia Corporation is expected to have capital of A$300m (£135m) and will be headed by Mr Michael Kelly, a senior London underwriter currently with Kemper Re (UK).

Five leading Australian pension funds and life insurance companies are investing in REAC, which may be floated on the Australian stock exchange within the next 12 months. A further A$200m could be raised to support the new venture's growth.

The company will underwrite a worldwide account of property excess of loss business and will aim to be a market leader.

Mr Kelly said the "time was right" to launch the new company, which has been under consideration for two years. He believes further rises in rates are likely when insurers renew annual reinsurance programmes later this year and said that the new influx of capacity will not lead to any resumption of rate competition.

It is the latest in a wave of new ventures formed this year following sizeable rate rises since 1990, a shrinkage of capacity in traditional markets, especially in London, and a strong revival in the sector's profitability.

Investors, mainly from the US, are ploughing more than $1bn (£600m) into Bermuda, the centre of most recent activity, where at least five new ventures have been formed in recent weeks.

Two new companies have also been formed in London, following initiatives by NAC Re and Liberty Mutual.

It has also emerged this week that another specialist London-based reinsurer is to be set up by the Benfield Group, an independent insurance broker.

It is understood that the new venture is aiming to have paid-up capital of £50m, writing about £100m premium income in its first year.

The prospect of rising rates is also leading a number of UK and US banks and securities houses to examine investment in the Lloyd's of London insurance market which is currently opening its doors to corporate capital.

Gloomy outlook at Hickson after 17% midway decline

By Richard Gourlay

HICKSON International, the speciality chemicals and timber treatment company, yesterday disappointed with a 17 per cent fall in profits and a downbeat assessment of second half prospects.

The company also announced a reduction in its capital expenditure programme to prevent gearing from rising further to levels it would consider unacceptable.

The pre-tax profits fall from £14.4m to £12m for the six months to June 30 was partly due to a £2.4m increase in the interest bill as deposit earnings fell but the group continued to pay fixed rate debt.

The fine chemicals division, the group's least mature business area, suffered a 39 per cent fall in operating profit to £3.9m. The division suffered demand and margin pressure in the continental European agrochemicals and detergent brightener markets.

The result also reflected operating difficulties that were larger than expected following September's explosion at Castleford and included provision for a £250,000 fine related to the accident in which five people died.

"Our management team were too confident and too optimistic about how quickly we could get growth back into this division," said Mr Dennis Kerrison, chief executive.

Group turnover amounted to £198.5m (£173.7m). The interim dividend is maintained at 2.85p, payable from earnings of 4.8p (6.2p).

COMMENT

Since the August 7 explosion at its Irish plant - the group's second within a year - the shares have shed over 15 per cent of their value in a rising market. Judging by the downbeat statement about second half prospects and the serious deterioration in the fine chemicals division, it is hard to see why the slide should not continue. Even given an element of yield support the shares remain on a demanding prospective multiple of 20 for this year on profits forecast now at about £21m, almost a third down on predictions 12 months ago. Hickson's problems stem from the lack of predictability in its earnings. It would not take many more fines for environmental misdemeanors or extra capital costs to update plant to meet more exacting regulatory standards before the balance sheet started to look stretched or the latest profits forecasts looked suspect.

Bimec to restructure as part of rescue plan

By Richard Gourlay

BANKERS to Bimec, which only two years ago was considered one of the purest of "green" stock market investments, are to write off £5m of debt in a restructuring to keep the receivers at bay.

Announcing the rescue, Mr Roy Barber, chairman, said Bimec would also be suing its auditors, Grant Thornton, for breach of contract and negligence. The perilous state of the company was apparent but undisclosed in the audit for the year ending March 1992, Bimec claims.

The water, waste treatment and engineering company reported pre-tax losses of £16.4m (£6.04m profits) in the year to end-March, on sales down 22 per cent at £80.8m.

This loss was almost double the sum of profits in the five previous years and leaves Bimec with negative shareholders' funds.

Losses per share amounted to 13.9p (5.1p earnings) and there is no dividend. In 1992 the group announced and then cancelled its final dividend, causing the shares to lose two thirds of their value.

Mr Barber, who was appointed last September, and Bimec's advisers, Schroders, said that without the restructuring, Lloyds, the company's bankers, would be invited to appoint receivers.

As part of the restructuring, Bimec will sell a number of businesses, including assets in its aero and industrial division and two businesses in its water and waste treatment divisions to EIS, the engineering group.

The total proceeds from the sale are expected to be £8m. EIS is paying £5m.

In addition to writing off £5m of debt, Lloyds is converting £500,000 it is owed into ordinary shares and £3m into preference shares.

The bank has also agreed to provide a five-year £4.9m interest free loan.

Lloyds support is dependent on shareholders' approval and Bimec continuing its proposed disposal programme.

Mr Barber said that after the restructuring the group would be focused in waste and water treatment with sales of about £30m. At its peak in 1991 Bimec had sales of more than £100m.

Following the restructuring the company would have repaid, written off or converted all its £16m of net debt and would have the ability to draw down on the Lloyds bank facility, he said.

The issue of shares to Lloyds Bank will dilute existing ordinary holdings by 8 per cent.

The businesses being sold to EIS had combined losses of £3.2m on sales of £24m, after exceptional costs of £2.7m in the last financial year.

Two of the businesses are suppliers of equipment to the process plant, water treatment and environmental industries.

The others develop and supply parts and undertake overhauls and repairs for aircraft and jet engines.

US helps Mayflower to £2.4m

By Kevin Done, Motor Industry Correspondent

MAYFLOWER, the specialist UK automotive engineering company, increased interim pre-tax profits by 50 per cent, helped by higher productivity and a big jump in US sales.

The pre-tax result for the six months to June 30 rose to £3.37m (£1.58m) on turnover up 48 per cent to £48.2m (£32.6m).

The interim dividend is raised to 0.45p (0.40p) on earnings of 1.28p (1.17p).

Mayflower has grown rapidly in the last three years through the acquisitions of Motor Panels, the car and commercial vehicle body maker in 1991, and International Automotive Design, an automotive design and engineering consultancy.

Excluding IAD, which was bought from the receiver in April for £3.25m, Mayflower increased operating profits from continuing operations by 62 per cent on sales up by 31 per cent.

Sales in the US, where the Motor Panels subsidiary is involved in the engineering, manufacturing and assembly of truck cabs, jumped 92 per cent thanks to the recovery in demand for trucks above 16 tonnes gross vehicle weight.

In the first half Mayflower derived 42.7 per cent of its turnover from the US and 46.9 per cent from the UK.

It is developing an integrated automotive engineering and manufacturing operation in the US, following the opening of a product development centre in Detroit last year and the $7.5m (£5.03m) purchase of a stamping plant in Ohio this year.

IAD lost £99,000 in the two months from May to June, but Mr John Simpson, Mayflower chief executive, said the operation was expected to break even this year after losing about £2.5m in 1992.

The IAD workforce has fallen to 700 from some 1,100 a year ago and Mayflower was preparing a restructuring plan for the remaining IAD operations.

The seat-belt webbing division suffered a 9.5 per cent sales fall, reflecting the decline in continental car production.

Caution at Aegis despite recovery

By Gary Mead

AEGIS, the holding company of Europe's largest media-buying and planning group, returned to the black with pre-tax profits of £13.2m for the first six months of 1993.

That compared with break-even last time and a £1.9m loss for the year to December 31 1992.

Turnover rose 4 per cent to £1.45bn (£1.39bn), with the first three months being particularly strong, analysts said.

No interim dividend will be paid and the company reaffirmed that no final dividend will be proposed.

Earnings per share were 2.16p (losses of 13.1p). Profits after tax were £9.2m (£8.8m loss). Net average debt in the past six months was £66m.

Mr Frank Law, chairman, said yesterday that while the first half results were "satisfactory", the overall picture in Europe was still clouded by "a general weakness in European advertising markets" implying "continued pressure on group profits in the second half of the year." Mr Law also said that the group had managed to reduce operating costs by 3 per cent.

Analysts said that the impact of recent legislative changes in France make it difficult to accurately forecast final results for the group, but some were reducing pre-tax profit forecasts from about £38m to £25m or less.

"Aegis have diligently been trying to dig themselves out of a hole. They are still the market leader and are now back in profit. But they are not yet out of the wood," said one analyst.

James Wilkes back in black with £1m

By Graham Deller

JAMES WILKES, the specialist engineer, returned to profits in the first half of the year reflecting its cost-cutting programme and a strong performance by the Floform and Peter Stubs subsidiaries.

On turnover down to £20.8m (£28.5m restated for FRS 3 including £7.2m for discontinued operations) and after interest charges reduced from £1.89m to £826,000, pre-tax profits amounted to £1.12m against losses last time of £5.67m.

Exceptional charges were just £73,000, compared with an FRS 3 figure of £8.74m.

Mr Douglas Rogers, chairman, said the reduction of borrowings remained a key objective and gearing should be cut from the period end level of 92 per cent in the second half.

Floform, which manufactures components for the automotive and aerospace industries, and Peter Stubs, the high speed steel wire and silver steel maker, performed particularly well in the US, drawing benefit from the weakness of sterling. Trading at other group businesses, however, remained patchy.

Earnings per share were 4p against restated losses of 31.2p. To conserve cash, the interim dividend is cut from 3.25p to 1.5p.

Turnround at S Daniels

By Katrina Lowe

S DANIELS continued its recovery in the first half to June 30 with pre-tax profits of £35,000, compared with a £105,000 deficit.

This followed progress in the second half of 1992 which resulted in a reduced loss of £64,000 for that year.

The importer and distributor for the food industry said the period under review benefited from its dried fruit activities while the raw materials business also achieved a satisfactory result.

Mr Paul Daniels, chairman, said the outcome for the six months would have been considerably better were it not for problems in the confectionery business in a competitive market.

The company had also moved its focus towards developing its beverage activities and further investment in production was planned. Options being considered included a possible factory move.

Turnover improved by 6 per cent to £16.7m (£15.7m). Earnings per share were 0.3p (1.3p losses).

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Aegis	int	nil	-	1.375	-	1.375
Bimec Inds	fin	nil	-	nil¶	nil	0.87
Hickson Intl	int	2.85	Nov 19	2.85	-	8
Independent News	int	4§	Sept 24	3.3*	-	9.3*
Mayflower	int	0.45†	Nov 19	0.4	-	1.25
MB-Caradon	int	2.83	Oct 26	2.75	-	8.65
News Intl	fin	0.668	Oct 12	0.453*	1.369	0.977*
Smith (WH) A	fin	9.9	Oct 22	9.1	14.2	13.4
Telegraph	int	5.5	Oct 13	4.5	-	11‡
Victaulic	int	2.5	Oct 5	2.5	-	7.8
Wilkes (James)	int	1.5	Nov 5	3.25	-	3.5

Dividends shown pence per share net except where otherwise stated. †On increased capital. *Equivalent after allowing for scrip issue. §Irish currency. ‡Excludes 10p special. ¶Proposed final of 0.83p subsequently cancelled.

LWT managers to share £70m

More than 40 senior managers at LWT (Holdings), parent of London Weekend Television, will be able to reap the rewards of their substantial bonus scheme next Tuesday. They stand to share some £70m.

LWT said yesterday the unlisted management shares and listed preferred shares will convert automatically on Tuesday into ordinary shares.

Executives are expected to sell immediately at least some of their new holdings.

Victaulic cites gas factor for drop to £5.8m

By David Blackwell

VICTAULIC blamed reduced demand from British Gas for a 16 per cent decline in pre-tax profits, from £6.9m to £5.8m, in the six months to June 30 1993.

The company makes pipeline products for the gas, water, and construction industries.

Total turnover edged ahead to £51.5m (£51.2m), but this included a contribution of £2.6m from Lindapter, a fixings company acquired late last year.

Reduced sales of £48.9m from continuing operations mainly reflected a fall of £3m in the gas sector's turnover to £15m.

The company warned in June that turnover would fall due to lower investment in pipeline infrastructure at British Gas because of uncertainty created by the Monopolies and Mergers Commission inquiry.

The MMC report, published on August 17, recommended that British Gas should retain its ownership of the gas distribution network.

Mr David Stewart, Victaulic's managing director, said yesterday that if the MMC recommendations were accepted, positive benefits would start to emerge as the uncertainty surrounding gas distribution faded. But he foresaw no improvement in British Gas purchases this year, and added: "Until we know the government view we are not committing ourselves."

The company had sought to offset the decline in gas pipeline sales by boosting exports to £7.6m (£4.3m). This had been achieved across the board, taking advantage of weaker sterling and extra capacity available.

Demand from the water industry was steady, with turnover unchanged at £22m.

Net interest receivable was nil, compared with £400,000 in the 1992 first half. The company blamed lower UK interest rates and lower average cash balances after the £4.8m acquisition of Lindapter.

Mr Stewart said the company had been earning interest in the UK to offset interest on £3.5m of borrowings in Europe. "When interest rates reversed we replaced these borrowings," he said, predicting an improvement in the second half.

Earnings per share were 8.8p (10.3p) and the interim dividend is maintained at 2.5p.

The group continued to reduce costs, and working capital had been reduced from 19 per cent to 16 per cent of sales.

Net cash generated was £3.3m. Net cash at the bank rose to £9.6m (£6.3m).

The shares, which fell by 20 per cent to 253p on June 17 after the warning of reduced turnover, closed yesterday up 5p at 301p.

Property Trust continues recovery with £737,000

A TURNROUND from pre-tax losses of £7.95m to profits of £737,000 was announced by The Property Trust for the year to March 31.

The outcome followed a return to the black in the first half with profits of £426,000 against losses of £6.32m.

The property investment and trading group said the year had been one of "significant progress", featuring a restructuring involving a capital reduction, consolidation of shares, introduction to the Official List, and a fully-subscribed £2.8m rights issue. As a result, shareholders' funds improved to £8.3m (£4.7m).

Turnover fell from £9.52m to £2.48m, but there were operating profits of £1.48m, against losses of £7.28m. There was no tax and earnings per share emerged at 5.6p (88.1p losses).

The company said the new loan facilities were expected to provide an annual interest saving of about £100,000.

Weeding out the weakest links in the chain

Neil Buckley on how Boots and WH Smith plan to revamp their lossmaking Do It All DIY business

"HOW do Do It All do it for what they do it for?" the DIY chain's television advertisements used to ask.

The answer these days is that they don't. Or rather, for the past year or so, they have been doing it only at a trading loss, and losing market share in the process.

Yesterday, WH Smith, which has a 50 per cent stake in the joint venture along with Boots, said its share of losses for the year to May were £14.3m, with sales down by 7.3 per cent.

With some justification, Smith can point to the tough trading environment in the DIY market as an excuse.

After enjoying double-digit profits growth in the late-1980s through rapid expansion and pushing up gross margins from about 30 per cent to about 34.5 per cent, DIY chains have had a difficult 18 months.

The collapse of the housing market put them under pressure, and a price war which raged for much of last year damaged both profits and margins.

Despite the difficult conditions, the two largest DIY chains, B&Q and Texas Homecare, have remained in the black. But Do It All is finding it increasingly difficult to be number three in the market, and suffers from a number of internal weaknesses.

The chain was formed in 1990 from the merger of Boots' Payless, acquired as part of the £900m takeover of Ward White in 1989, and WH Smith's Do It All chain.

Profits and margins at both chains had been deteriorating before the merger, which was supposed to create a large, powerful business that would benefit from economies of scale. Instead, the new Do It All was hit by a double whammy.

It was born just as the housing market went into decline, and then, before it had time properly to integrate the two chains and to establish a coherent trading formula, it was dragged into the DIY price war.

The result, as one analyst put it, was that "two small, weak chains merged to produce a larger weak chain."

The chain was saddled with some old stores, often in poor locations, and of widely differing sizes.

Do It All and Payless also had different ranges. These were later rationalised and standardised, but that led to an increase in items out of stock, and to confusion, particularly among former Payless customers, about Do It All's product offer.

Boots and Smith still insist they are committed to turning the business around. First, a full "portfolio review" is under way, to determine where stores need to be closed or relocated.

Distribution is being centralised, which should lead to greater efficiency. Do It All is also trying to develop the strength and identity of its own brand.

Mr Steve Russell, Do It All's managing director, is using experience gained as director of merchandise at Boots to try to improve standards of customer service.

The chain is also rolling out its "New Trading Concept", involving refitting stores and regrouping products according to different DIY projects – for example, putting everything for bathrooms in one place, rather than taps in one area and tiles in another.

Specially-designed information boards give advice on how to carry out various DIY projects.

Refits cost between £50,000 and £300,000 depending on the age and size of store.

Sir Malcolm Field, group managing director, said yesterday percentage sales increases in refitted stores were "moving towards double figures", with sales per square foot "moving towards £100", compared with the £65 per sq ft for the chain as a whole estimated by Verdict, the retail research group.

But, as Sir Malcolm admitted, the roll-out is slow. Only 54 stores will have been refitted by next February – out of 220. The pace cannot be quicker, he says, because "these are quite big things to do and there is only so much the infrastructure can take".

Given that Boots and Smith admit they exacerbated their original problems by failing to integrate Payless and Do It All quickly enough, the apparent lack of urgency in refitting the stores is causing nervousness in the City. Some analysts believe the real reason is the new format has not been as successful as hoped.

But the question preoccupying most analysts is what happens if the reforms do not improve trading, and the housing market does not pick up.

Few believe a buyer for the chain could be found, and the cost of closure – estimated at about £200m – would be prohibitive.

"I can see no solution to the problem that would satisfy both Boots and Smiths," says Mr Nick Bubb, retail analyst at Morgan Stanley.

He draws a parallel with Silo, Dixons' US electrical retailer where losses are still mounting in spite of management's efforts to improve sales, and neither sale nor closure is a realistic option.

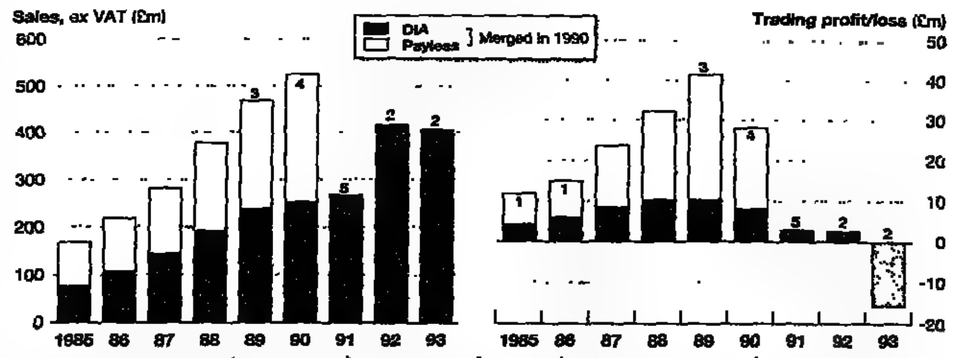
At least Silo has only one owner. Do It All, on the other hand, looks set to remain a problem child for both its parents.

Share of DIY Spending %

	1986	1987	1988	1989	1990	1991	1992
B&Q	10.4	11.8	12.7	12.8	13.6	14.7	14.6
Texas Homecare	5.9	6.6	7.2	8.1	8.4	9.5	9.6
Do It All †	2.5	3.1	3.5	3.7	6.7	6.0	5.6
Payless †	2.7	3.4	3.8	3.7	-	-	-
Homebase	1.8	2.1	2.4	2.6	2.8	3.2	3.3
Great Mills	1.6	2.0	2.4	2.5	2.6	3.8	2.7
Wickes	1.7	2.0	2.4	2.4	2.6	2.7	2.8

† = Companies merged in 1990. Source: Verdict Estimates

Do It All falters



Source: Verdict. [1]Pre-tax profits, [2]Year to February, [3]53 weeks, [4]14 months to March 1990, [5]9 months to February 1991

NEWS DIGEST

Losses deepen at Hemingway

HEMINGWAY Properties yesterday announced increased pre-tax losses for the half year to end-June, mainly due to a number of recurring items.

Losses amounted to £581,000 (£332,000). Among the exceptional costs were compensation payments to two former directors amounting to £110,000.

During June and July a number of transactions were completed, including the £30.2m acquisition of a properties portfolio, a £21.9m placing and open offer and the £21.8m cash disposal of Dorset House.

These transactions, the company said, would not have an impact until the second half.

In addition, prior to the period end, the company disposed of two office properties for an aggregate £3.3m.

Net turnover increased from £3.07m to £4.58m.

Losses per share were 1.07p (0.61p).

The directors plan to seek shareholders' approval for a reduction in the share capital to cancel the accumulated deficit on the profit and loss account to December 31 1993.

Polish factory for Cadbury Schweppes

Cadbury Schweppes, the confectionery and soft drinks group, is to build a chocolate and sugar confectionery factory at Wroclaw, south-west Poland, for £20m.

The company said the site chosen had good access to population centres. Construction was expected to begin in 1993 with production starting in 1995.

The Polish confectionery market is estimated at about 180,000 tonnes.

A$11.5m Australian buy for McKechnie

McKechnie, the plastics and metal components group, has acquired Phipps International, an Australian manufacturer and distributor of aluminium security door screens and provider of drapery hardware

Phipps has assets of about A$11.5m (£4m), and is being acquired for A$11.5m cash.

The acquisition is being made through McKechnie's wholly owned subsidiary, McKechnie Pacific.

Fleming Claverhouse net assets ahead

Net asset value at the Fleming Claverhouse Investment Trust was 193p at June 30, up 14 per cent on the figure of 168.6p at end-June 1992.

Net revenue amounted to £1.12m, down from £1.25m in the comparable period.

Earnings worked through at 2.55p (3.13p) per share.

Comparative figures were adjusted to reflect the change of accounting policy to recognise income from investments on an ex-dividend basis and the scrip issue in March.

Dividends of 2.5p have already been announced and the directors expect to recommend a maintained total of 5.35p.

Bournemouth Water edges up

Increased compliance costs meant that Bournemouth Water and West Hampshire Water, both part of Biwater, the privately owned water engineering company, turned in pre-tax profits only slightly ahead for the six months ended June 30.

The pre-tax figure at Bournemouth Water – which serves 256,000 people – came out at £2.07m, against £2.06m, on turnover of £6.07m (£5.85m).

Pre-tax profits at West Hampshire Water, which serves 163,000 people, were helped by reductions in interest payments and emerged at £684,000 (£578,000). Turnover was £4.61m (£4.25m).

Bournemouth has used up its advance corporation tax surplus, leading to an increased charge of £591,000 (£313,000). Fully diluted earnings per share came out 17 per cent lower at 115p (138p). The interim dividend is 29p.

West Hampshire continued to use its surplus ACT to arrive at a tax charge of £51,000 (£35,000). fully diluted earnings per share came out at 79p (68p). The interim dividend is 16p.

COMMODITIES AND AGRICULTURE

German farmers feel 'green' currency pinch

Deborah Hargreaves explains how the virtual collapse of the ERM has hit incomes

GERMAN FARMERS are calling for emergency action by the European Commission because of the threat to their prices caused by the virtual collapse of the European Community's Exchange Rate Mechanism earlier this month.

"Any further price changes are going to hit us very hard because we've already seen lower prices to farmers from reform of the CAP while we're paying more for our raw materials since our inflation rate is the highest in the EC," Mr Max Zurek, chief economist at the German farmers' union, said yesterday.

The farmers are also protesting against the automatic changes in the "green" currency rates – in line with real exchange rate fluctuations – that have applied to some currencies since the beginning of the year, but which now apply to all of them. "It makes it very difficult for farmers to plan ahead," Mr Zurek said. "They have to keep revising contract prices."

Mr Jochen Borchert, Germany's agriculture minister, is pushing for a special meeting of EC farm ministers in the first week of September to discuss the green currency system through which EC price support is channeled to farmers. Mr Borchert has already visited his Dutch and French opposite numbers this week to gauge support.

Calls for far-reaching reforms of the 'green' money system are unlikely to be supported by many other countries

EC farmers have been protected from any real drop in farm prices resulting from currency changes since the complex "switchover" mechanism was introduced 9 years ago at the insistence of the Germans.

EC support prices to farmers are set in European currency units, which representing a basket of currencies. The Ecu prices must be converted into countries' own currencies at an exchange rate – either fixed or floating.

The switchover mechanism is a complex process for converting Ecus into "green" Ecus, which effectively makes the Deutschemark the strongest currency in the basket. German farmers have been protected by this system from any cut in farm prices that would follow a revaluation of the Deutschemark in the ERM.

The switchover system was set up to insulate German farmers from any cut in prices – it has kept their support prices steady in D-Marks. But it has also benefitted farmers across the EC who have seen prices 20 per cent higher than they would otherwise have been.

The mechanism proved costly to run – it cost the EC an additional Ecu1.5bn (£1.14bn) last year. By keeping German prices stable and pushing all other prices upwards the switchover mechanism had an in-built inflationary bias.

The commission tried to get rid of the switchover at the beginning of the year because of the introduction of the single market, but the German farm lobby ensured that it remained in place.

Since the switchover was triggered by a revaluation within narrow band of the ERM – a political decision in the semi-fixed exchange rate system – it is now defunct as currencies are allowed to fluctuate widely. The Germans want it applied again to floating currencies, but the commission is not keen. "The commission has now achieved through the action of the finance ministers what it could find no consensus for among agriculture ministers last year," said Mr Zurek.

However, although the switchover is now inoperative, German farmers have not yet seen any cut in prices. What they have seen is the drop in the value of the Franc and the Danish Krone resulting in more French and Danish farm products on the German market, which in turn is pushing German prices down.

UK farmers have seen their farm exports become more attractive and their own support prices rise by about 15 per cent since the UK left the ERM last September. The small devaluation for France and Denmark has pushed up support prices marginally to French and Danish farmers.

But German, Dutch and possibly Belgian farmers fear their prices will fall if the D-Mark continues strong enough to force a revaluation.

That is why farmers claim there must be swift emergency action to remove the threat of price cuts. Chancellor Helmut Kohl of Germany is expected to address the issue in talks with Mr Eduard Balladur, prime minister of France, this week.

But calls for far-reaching reforms of the EC "green" money system are unlikely to be supported by many other countries. The UK would strongly resist the return to a switchover mechanism.

"German farmers may not like it, but for the first time, they are in the same position as all other farmers in the EC," one UK farming official said.

Finland sets out farm support shopping list for EC entry

FINLAND HAS unveiled proposals for supporting its Arctic and sub-Arctic agriculture within the European Community – seen as the most difficult issue in the country's membership talks, reports Reuter from Helsinki.

"Unless we get some so-called Nordic agricultural support we cannot continue agriculture in this country," Mr Pertti Salolainen, the foreign trade minister, told a news conference here yesterday.

Mr Heikki Haavisto, the foreign minister, said the measures Finland would propose in the talks would cost between FM6bn and FM9bn (£693m and £1.04bn) a year. He said Finland's goal was for the EC to contribute FM3bn to FM3.5bn a year.

A package of measures outlining Finland's position includes the following:

- Average support of up to FM2,970 per hectare;
- Livestock support of up to FM4,800 per animal;
- Milk, beef and mutton production subsidies for the two most northern regions;
- Transport support for milk, meat and eggs (excluding the most southern parts of Finland);
- Animal feed support in the three most northern regions.

Finland would also aim at a 12-year transition period to restructure its farming.

The government said price and support levels within the EC's common agricultural policy were not enough for Finland to achieve the agricultural policy objectives of the community.

Finland has a growing season of 180 days or less compared with 220-230 days in Denmark and more in southern Europe.

The package is to be sent to the EC in September to form a basis for further negotiations.

The present round of talks started in February. The country aims to become a member of the community in 1995.

Talks fail to resolve fishing row between Iceland and Norway

By Karen Fossli in Oslo

EMERGENCY TALKS between Norway and Iceland aimed at defusing a bitter fishing row centred on cod stocks in the Barents Sea have ended without resolution.

The purpose of the meetings was to seek agreement on the principles of management of resources with regard to the UN conference on stock management outside coastal state's economic zones and to achieve bi-lateral agreement between the two countries on fishing in the Barents Sea.

Iceland is now threatening to expand fishing operations to the Norwegian economic zone off the Arctic island of Svalbard and still refuses to acknowledge that Norway has any right to claim jurisdiction over resources in the disputed area.

The week-old dispute involves Icelanders fishing in the "loophole", a 62,400 sq km zone in the Barents Sea managed jointly by Norway and Russia, where Arctic cod spawn before making their way into those two countries' waters.

Mr Johan Joergan Holst, Norway's foreign minister, failed to obtain agreement from Mr Jon Baldvin Hannibalsson, his Icelandic counterpart, on the UN principle that the authority of the coastal state to manage marine resources outside its economic zone applies to the Norwegian-Russian Barents Sea "loophole" region.

At a UN conference earlier this month Iceland was one of the strongest proponents of this principle but refused to agree to it in the dispute with Norway over Barents Sea resources.

Norwegian foreign ministry officials said yesterday that the meetings, which were held on neutral ground in Stockholm and also attended by the two countries' fisheries ministers, were to have covered "only" the issue of the UN conference but that Iceland had demanded quotas from Norway for fishing in the Barents Sea.

Iceland also threatened to fish in Norway's economic zone off Svalbard, after having just a week ago asked their fisherman to avoid the area.

The Stockholm meetings ended bitterly with both country's four ministers leaving hastily without giving a promised media briefing on the outcome of the discussions. Norwegian officials said no new meetings on the dispute were planned but that Norway would at any time welcome a reopening of the discussions.

Norway refuses to yield to Iceland's demands for fishing quotas in the Barents Sea – possibly influenced by the public opinion costs this would entail in an election year – and will continue to step up surveillance of the disputed "loophole" area as long as Icelandic fisherman continue to defy its demands.

Sahel's crops at mercy of airborne invaders

Defences against the locust threat remain woefully inadequate, writes Canute James

THERE ARE strong signs that another desert locust plague is about to hit Sahelian Africa, and according to a recently-published report, unless a comprehensive approach to the problem is implemented the region's already struggling agriculture will be further devastated.

"Events in late 1992 and early 1993 in East Africa suggested that a desert locust plague could once more be brewing, starting in the Red Sea hills of Sudan, Eritrea and Saudi Arabia," says the report by the Panos Institute of London. It refers to warnings from the Food and Agriculture Organisation that there is need for better quality information from surveys if the impending plague is not to be as damaging as the last in 1986-1988.

The painful irony for Sahelian farmers is that while drought destroys the prospects of improved agricultural production, it is also unfavourable to the breeding and proliferation of the desert locust. The report says it was the good rains of 1985 that seem to have stimulated the increased breeding which triggered the 1986-1988 plague.

"So just when there is a year or two of improved rainfall and the prospect of better yields, the threat of locust damages increases," the report says. "Many a Sahelian farmer has suffered seeing the first crop after years of poor rains being ravaged by locusts and grasshoppers."

Any attempt to deal with the problem must first come to terms with the fact that it is not only locusts, but grasshoppers, which threaten agriculture in the region. The Panos Institute points out that while locusts are notorious for their capacity for destruction, grasshoppers have no such notoriety. It argues, however, that this distinction is "false".

"While grasshoppers may not have caught the imagination of chroniclers of plagues as locusts have, they too devastate crops and rangeland. In fact, over the last five years they have caused more damage in the Sahel than locusts."

The experience of the 1986-1988 plague indicated that the fast action and flexibility needed to deal with the pests were not available, and that once the locusts were on the move the resources supplied to combat their onslaught was sometimes inappropriate and often came too late.

The fight to reduce the locust population and to prevent a plague, or to contain them when they are on the move, is severely hampered by poor communications in the Sahel. It is more difficult to fly to different areas from within the region than it is to reach them from Europe, the Panos Institute says, and moving equipment, fuel and pesticides in the region is far from easy.

"A drum of pesticide to be used in August has to be moved up country by May at the latest," it says. "This means it has to be in the country no later than April, which in turn means being despatched from its country of origin in January. Yet firm predictions on campaign requirements eight months ahead are impossible."

Few Sahelian national budgets can stand the cost of aerial surveys and efforts at locust and grasshopper control in the region are complicated by difficulties in regional co-operation, while collaboration among institutions in the region has become more difficult because of conflict between or within countries.

The report cites the case of Chad, which it says contains areas of suitable breeding ground for the desert locust that are too large to be covered by ground surveys. In 1987 and 1988 the continuing conflict with Libya meant that aerial surveying in the north was forbidden. In October 1990, poor relations between Chad and Sudan prevented aerial surveying of large areas on both sides of their common border.

Dealing with the problem demands the establishment of a "single comprehensive and authoritative starting point" for all those concerned with grasshopper and locust control, the report argues. "The cost of pulling together the relevant information is insignificant. While a number of information networks exits, the FAO remains the best forum for the exchange of ideas between scientists, administrators and decision makers."

While donor countries and institutions and Sahelian plant protection agencies are becoming increasingly aware that there is a need for new approaches, the Panos Institute warns that another plague on the scale of that of 1986-1988 could as easily build up.

"Luck may not be on the Sahel's side this time," it concludes. "If technical and institutional capacities are not strengthened and if more sustainable strategies are not developed, the farmers of the Sahel will continue to be vulnerable to devastating crop losses."

Grasshoppers and Locusts: The Plague of the Sahel. The Panos Institute 1993. London.

THE UNITED Nations says a locust invasion of vast desert lands in Pakistan and India is a "time bomb" it is trying to prevent from exploding across the region, reports Reuter from Islamabad.

The locust outbreak could start a cycle of plague lasting several years if it is not stopped, according to a statement from the UN information office in Islamabad. It quotes a UN Food and Agriculture Organisation report as saying locusts on both sides of the India-Pakistan border threaten all agricultural production in the region. "International donors have been requested to provide equipment and chemicals for use by the Plant Protection Department of Pakistan," it says, adding that similar assistance is being provided in India.

"A major outbreak of desert locusts is occurring in the deserts of Sind and Punjab in Pakistan and cross-border in India," the FAO says. "After invading the area in the middle of July by flying across the Arabian Sea from Yemen and Oman, the insects now extend throughout vast areas of desert."

US sugar cut to cost Caribbeans $19m

By Canute James in Kingston

CARIBBEAN SUGAR exporters to the US will earn about US$19m less from deliveries made in the 1993-1994 period, following a reduction in import quotas by the US government. Industry officials in the region say its cumulative quota for the delivery period, staring in October, is 16 per cent less, in line with an overall reduction in imports by the US government.

The region's quota will be 225,508 tonnes, with the Dominican Republic, the region's largest quota holder, supplying about three quarters. The country will earn about $14.5m less because of the quota reduction, the officials say. Other suppliers in the region are Barbados, Belize, Guyana, Jamaica and Trinidad and Tobago.

The US pays quota holders about 20 cents a lb, and the quotas are periodically reviewed by the US Department of Agriculture to determine what quantity of imports are needed to supplement domestic production.

US import quotas have been progressively reduced over the past decade, cutting the earnings of regional producers. The Caribbean industry relies on preferential markets such as those in the US and Europe, because world market prices are lower than the cost of production in the region's inefficient sugar sector.

In its latest annual report, the Caribbean Development Bank, based in Barbados, said that quota reductions by the US meant that the region was selling increased quantities of sugar on the world market "at prices which are substantially below the preferential prices for sales to Europe and the United States".

WORLD COMMODITIES PRICES

MARKET REPORT

The recent grip on the London Metal Exchange **COPPER** market by influential traders was not so evident yesterday and prices staged a downward correction. The cash premium over three months metal also eased back from above the $40 level it reached on Tuesday. The three months position closed at $1,937.50 a tonne, shedding $9 of Tuesday's $33 advance, while the cash premium closed in to $32.50 a tonne. The **ZINC** market continued Tuesday's late fall with the three months price dipping to $885 a tone at one point. But it steadied on profit-taking to end the after hours trading session at $889 a tonne, down $9 on the day. **TIN** prices fell back to the 20-year lows ruling before the recent spike and traders said the market was just reflecting the depressed fundamental situation, which had not changed. A the London bullion market there was another attempt to push the **GOLD** price through support at $370 a troy ounce just after the New York opening, but again professionals supported the market. **PALLADIUM**'s recent decline accelerated, taking the price to $128.75 an ounce at the afternoon fix, the lowest since the end of June.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Oct)		+ or -
Dubai	$14.74-4.86u	-.215
Brent Blend (dated)	$16.66-6.68u	-0.24
Brent Blend (Oct)	$16.99-7.01	-0.24
W.T.I (1 pm est)	$18.22-8.24u	-.275
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$192-194	
Gas Oil	$163-164	-2
Heavy Fuel Oil	$61-63	
Naphtha	$159-161	-2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$371.25	-2.20
Silver (per troy oz)♣	469.50c	-9.50
Platinum (per troy oz)	$386.5	-1.0
Palladium (per troy oz)	$128.75	-5.5
Copper (US Producer)	91.50c	
Lead (US Producer)	34.63c	+1.13
Tin (Kuala Lumpur market)	12.20m	+0.04
Tin (New York)	222.0c	-1.5
Zinc (US Prime Western)	Unq	
Cattle (live weight)†	128.70p	-2.02*
Sheep (live weight)†♠	85.60p	-0.14*
Pigs (live weight)†	68.05p	-2.91*
London daily sugar (raw)	$242.5	+1.6
London daily sugar (white)	$295.6	+0.6
Tate and Lyle export price	£272.0	+1.0
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£169.5	
Wheat (US Dark Northern)	£147.0	
Rubber (Oct)♥	59.50p	
Rubber (Nov)♥	60.75p	
Rubber (KL RSS No 1 Jul)	211.5m	
Coconut oil (Philippines)§	$452.5v	
Palm Oil (Malaysian)§	$362.5u	
Copra (Philippines)§	$289.0	
Soyabeans (US)	£196.5	
Cotton "A" Index	55.05c	
Wooltops (64s Super)	332p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. x-Aug/Sep v-Sep/Oct u-Oct t-Oct/Dec x-Aug/Sep ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.♠Sheep prices are now live weight prices * change from a week ago, provisional prices.

SUGAR – LCE ($ per tonne)

White	Close	Previous	High/Low	
Oct	262.30	263.40	263.00	261.00
Dec	257.60	259.10	258.50	257.00
Mar	258.90	260.10	259.50	258.00
May	261.40		261.40	
Aug	268.90		268.00	266.00

White 899 (1138) Paris- White (FFr per tonne): Oct 1535.92 Dec 1521.80

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low	
Oct	17.02	17.12	17.24	16.95
Nov	17.17	17.28	17.40	17.17
Dec	17.35	17.47	17.53	17.33
Jan	17.46	17.51	17.66	17.47
Feb	17.75	17.70	17.75	17.75
IPE Index	17.25	17.18		

Turnover 13783 (24387)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Sep	162.00	163.50	164.25	162.00
Oct	165.00	166.25	166.75	164.50
Nov	167.25	168.25	168.50	166.75
Dec	169.25	170.25	170.75	169.00
Jan	170.50	172.00	172.25	170.25
Feb	170.25	171.25	171.75	170.50
Mar	168.00	169.50	168.25	168.00
Apr	166.75	168.00	166.75	
May	165.50	167.00	165.50	
Jun	165.00	166.50	167.00	

Turnover 8748 (10484) lots of 100 tonnes

WOOL

The Australian wool market has continued to decline, with the market indicator down to 411 cents a kilogram on August 25, compared with 430 cents a week before. The low point in April was 381 cents. Business and buying interest remains low. There is no doubt that uncertainties on stockpile disposal policy raised by the Garnaut wool review committee have helped to check buying interest. Caution seems particularly evident in Japan, normally a leading buyer at Australian sales.

COCOA – LCE £/tonne

	Close	Previous	High/Low	
Sep	771	787	780	767
Dec	808	815	812	797
Mar	827	834	829	818
May	837	846	839	832
Jul	847	855	848	842
Sep	857	864	858	852
Dec	872	877	872	868
Mar	885	886	886	879
May	895	895	895	890

Turnover: 14388 (18090) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Aug 24 827.58 (807.70) 10 day average for Aug 25 780.85 (770.46)

COFFEE – LCE $/tonne

	Close	Previous	High/Low	
Sep	1272	1268	1272	1250
Nov	1240	1242	1242	1223
Jan	1203	1213	1208	1192
Mar	1185	1197	1185	1178
May	1179	1192	1180	1179

Turnover: 5130 (6362) lots of 5 tonnes
ICO Indicator prices (US cents per pound) for Aug 24 Comp. daily 69.53 (69.29) 15 day average 68.61 (68.64)

POTATOES – LCE £/tonne

	Close	Previous	High/Low	
Apr	75.7	75.8	76.7	75.0
May	88.3	87.8	88.5	88.3

Turnover 108 (72) lots of 20 tonnes.

SOYAMEAL – LCE £/tonne

	Close	Previous	High/Low
Oct	-	-	

Turnover 0 (0) lots of 20 tonnes.

FREIGHT – LCE $10/index point

	Close	Previous	High/Low	
Aug	1451	1454	1460	1450
Sep	1438	1460	1460	1438
Oct	1468	1485	1485	1468
Nov	1470	1496	1502	1470
Jan	1488		1488	
Apr	1513	1540	1520	1513
Oct	1480		1480	
BFI	1452	1457		

Turnover 81 (282)

GRAINS – LCE £/tonne

Wheat	Close	Previous	High/Low	
Sep	103.20	104.40	103.50	103.20
Nov	104.50	105.50	104.90	104.50
Jan	106.50	107.55	107.00	106.50
Mar	108.45	109.60	109.00	108.45
May	110.90	111.90	111.00	110.90
Barley	**Close**	**Previous**	**High/Low**	
Nov	102.25	102.95	102.50	102.10
Mar	106.30	107.15	106.30	

Turnover: Wheat 583 (414) Barley 25 (76).
Turnover lots of 100 Tonnes.

PIGS – LCE (Cash Settlement) p/kg

	Close	Previous	High/Low
Sep	-	97.0	

Turnover:0 (0)lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 47,229 lots	
Cash	1139-40	1148-49	1145.5/1145	1144.5-5.0		
3 months	1161-2	1171-72	1169/1159	1166-6.5	1161-2.5	243,301 lots
Copper, Grade A ($ per tonne)					Total daily turnover 45,808 lots	
Cash	1969-71	1988-89	1985/1982	1982-3		
3 months	1937-8	1946-47	1948/1933	1944.5-5.0	1932-3	168,191 lots
Lead ($ per tonne)					Total daily turnover 4,149 lots	
Cash	387.5-8.5	386-87		380.5-1.0		
3 months	395.5-6.0	399-99.5	397/394	394-4.5	396.5-7.0	24,758 lots
Nickel ($ per tonne)					Total daily turnover 5,493 lots	
Cash	4620-30	4650-60	4604	4604-5		
3 months	4670-80	4705-10	4710/4650	4664-5	4645-50	46,347 lots
Tin ($ per tonne)					Total daily turnover 2,721 lots	
Cash	4780-5	4785-90		4775-80		
3 months	4815-20	4835-40	4840/4815	4820-1	4810-5	10,605 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 20,347 lots	
Cash	874.5-5.5	890-91	874.5	874-4.5		
3 months	888-9	904-05	893/886.5	889-9.5	888-9	79,329 lots

LME Closing £/$ rate: SPOT: 1.4825 3 months: 1.4728 6 months: 1.4662 9 months: 1.4599

Copper and lead prices are now expressed in dollars per tonne

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	371.00-371.50	
Opening	371.10-371.60	
Morning fix	371.75	248.313
Afternoon fix	371.15	250.439
Day's high	372.75-373.25	
Day's low	370.50-371.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.62	6 months	2.53
2 months	2.56	12 months	2.56
3 months	2.54		

Silver fix	p/troy oz	US cts equiv
Spot	317.25	474.75
3 months	321.85	475.45
6 months	326.05	482.30
12 months	334.95	491.50

GOLD COINS

	$ price	£ equivalent
Krugerrand	371.00-374.00	247.00-250.00
Maple leaf	381.75-384.15	-
New Sovereign	87.50-90.50	58.00-61.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Oct	Jan	Oct	Jan
1175	18	41	35	39
1200	7	30	54	63
1225	3	21	75	89
Copper (Grade A)	**Calls**		**Puts**	
1900	57	88	24	62
1950	39	64	46	88
2000	20	45	77	118
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
1150	121	119	31	66
1200	90	93	50	90
1250	65	73	75	120
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
725	92	123	18	21
750	73	105	18	28
775	56	89	28	37
Brent Crude	**Oct**	**Nov**	**Oct**	**Nov**
1650	60	-	9	21
1700	27	-	27	43
1750	15	48	42	-

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Aug	372.5	371.0	373.0	371.0
Sep	372.8	372.2	370.8	370.5
Oct	373.7	373.1	374.3	371.3
Dec	375.5	374.9	376.1	373.2
Feb	377.2	376.7	378.3	375.0
Apr	378.9	378.4	379.2	377.2
Jun	380.6	380.1	0	0
Aug	382.3	381.8	0	0
Oct	384.1	383.6	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Aug	387.3	387.3	0	0
Oct	387.9	388.3	389.0	386.5
Jan	388.6	389.3	389.0	388.0
Apr	389.4	390.1	0	0
Jul	390.3	391.0	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Aug	473.3	473.0	0	0
Sep	473.5	473.3	477.0	468.5
Oct	474.7	474.8	0	0
Dec	478.0	477.9	479.5	473.0
Jan	478.4	478.3	476.0	476.0
Mar	482.7	482.7	482.5	478.5
May	486.0	486.1	486.5	486.5
Jul	489.1	489.3	486.0	486.0
Sep	492.5	492.8	494.0	494.0
Dec	497.5	498.1	495.0	492.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	85.45	86.40	85.80	84.90
Sep	85.05	86.40	86.50	84.50
Oct	85.15	86.50	85.90	85.00
Nov	85.20	86.50	0	0
Dec	85.26	86.50	86.60	84.50
Jan	85.35	86.60	0	0
Feb	85.45	86.70	0	0
Mar	85.55	86.75	86.25	86.00
Apr	85.65	86.85	0	0
May	85.70	86.90	86.80	86.80

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Oct	18.21	18.35	18.51	18.18
Nov	18.50	18.62	18.76	18.46
Dec	18.70	18.79	18.93	18.65
Jan	18.82	18.92	19.04	18.78
Feb	18.92	19.03	19.13	18.90
Mar	19.04	19.14	19.25	19.02
Apr	19.11	19.21	19.31	19.07
May	19.18	19.28	19.19	19.17
Jun	19.25	19.35	19.43	19.24
Jul	19.30	19.42	19.30	19.30

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Sep	52.20	52.87	53.35	52.10
Oct	53.30	54.08	54.35	53.20
Nov	54.30	55.01	55.25	54.20
Dec	55.30	56.00	56.25	55.15
Jan	55.90	56.60	56.70	55.85
Feb	55.90	56.90	56.75	56.30
Mar	55.50	55.95	55.95	55.95
Apr	54.40	54.80	54.80	54.40
May	54.00	54.00	0	0
Jun	53.10	53.50	53.10	53.10

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1008	1008	1003	975
Dec	1059	1058	1066	1027
Mar	1093	1090	1100	1064
May	1113	1109	1105	1090
Jul	1130	1129	1114	1112
Sep	1164	1150	1155	1128
Dec	1182	1178	1168	1160
Mar	1205	1201	1164	1175
May	1225	1221	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	78.50	75.25	76.75	74.20
Dec	79.05	77.70	79.25	76.55
Mar	81.30	79.70	81.50	78.75
May	82.30	81.00	82.30	80.40
Jul	83.60	82.20	82.90	82.90
Sep	85.20	83.90	0	0
Dec	88.65	87.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.17	9.36	9.54	9.13
Mar	9.43	9.54	9.52	9.40
May	9.60	9.63	9.62	9.57
Jul	9.64	9.71	9.68	9.64
Oct	9.67	9.74	9.69	9.65

COTTON 50,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	57.09	55.60	57.48	55.70
Dec	58.17	56.54	58.54	56.70
Mar	59.70	58.10	59.85	58.15
May	60.35	58.77	60.50	58.80
Jul	61.22	59.47	61.25	59.55
Oct	60.50	[illegible]	59.66	59.68
Dec	60.50	59.65	60.50	59.50

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	123.00	120.60	123.00	120.25
Nov	126.10	123.75	126.20	123.10
Jan	127.45	125.25	127.80	125.00
Mar	128.45	126.75	128.50	126.60
May	129.85	127.65	129.00	128.00
Jul	129.85	127.90	128.00	127.50
Sep	129.30	125.90	129.00	128.50
Nov	129.30	125.90	0	0
Jan	129.30	125.90	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)

Aug.25	Aug.24	mnth ago	yr ago
[illegible]	1626.6	1638.6	1518.8

DOW JONES (Base: Dec. 31 1974 = 100)

	Aug.24	Aug.23	mnth ago	yr ago
Spot	122.78	123.24	124.26	116.61
Futures	125.75	125.26	130.06	115.97

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Sep	670/0	671/2	673/4	666/6
Nov	671/0	671/4	674/0	667/4
Jan	677/0	677/2	679/4	673/4
Mar	682/0	682/6	683/4	678/4
May	682/6	683/2	683/4	679/0
Jul	684/6	685/0	685/0	680/4
Aug	678/6	681/0	680/0	677/0
Sep	649/0	647/0	649/0	646/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Sep	23.49	23.52	23.59	23.34
Oct	23.60	23.67	23.75	23.50
Dec	23.84	23.93	23.98	23.71
Jan	23.93	24.03	24.06	23.83
Mar	24.07	24.15	24.23	23.90
May	24.11	24.20	24.15	23.99
Jul	24.11	24.20	24.18	23.95
Aug	23.95	24.08	24.00	23.85

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Sep	213.9	215.1	215.1	212.5
Oct	212.4	213.3	213.2	211.0
Dec	212.8	213.4	213.2	211.2
Jan	212.8	213.1	213.0	211.3
Mar	212.7	213.6	213.1	211.8
May	212.5	213.2	213.2	211.6
Jul	212.9	213.2	213.0	212.1
Aug	210.3	210.6	212.0	210.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	236/6	237/2	238/0	236/4
Dec	243/6	244/2	244/6	243/0
Mar	251/6	252/0	252/4	250/6
May	256/4	256/6	257/2	256/2
Jul	259/4	259/0	259/6	258/2
Sep	251/0	250/4	251/0	249/6
Dec	243/2	242/4	244/0	242/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	305/2	309/2	310/0	305/0
Dec	313/0	316/0	317/0	312/4
Mar	316/2	318/2	319/0	316/0
May	312/0	312/4	312/0	310/4
Jul	300/4	301/2	302/0	299/4
Sep	304/4	305/2	0	0
Dec	310/4	[illegible]	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	73.750	74.325	74.325	73.725
Dec	74.675	75.075	75.075	74.625
Feb	75.300	75.575	75.600	75.225
Apr	76.400	76.650	76.650	76.375
Jun	73.225	73.400	73.425	73.225
Aug	72.100	72.200	72.300	72.100
Oct	72.300	0	73.300	72.300

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	45.975	45.425	46.000	45.125
Dec	45.875	45.550	45.950	45.250
Feb	45.325	45.300	45.375	44.750
Apr	43.975	44.150	44.125	43.650
Jun	49.050	49.075	0	48.650
Jul	48.050	48.000	48.200	47.800
Aug	46.800	46.750	46.800	46.725
Oct	44.500	0	0	0

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	48.775	48.350	49.000	48.000
Mar	48.375	47.875	48.650	47.550
May	49.400	48.550	49.400	49.100
Jul	50.400	[illegible]	50.400	0
Aug	43.700	48.300	48.700	0

LONDON STOCK EXCHANGE

Footsie at peak as US buyers return

By Terry Byland,
UK Stock Market Editor

LONDON stocks were quick to follow the lead from across the Atlantic yesterday and, encouraged also by optimism in Germany ahead of this morning's meeting at the Bundesbank, the FT-SE 100 Index rose nearly 30 points to a new closing peak of 3,079.2.

US buyers appeared again in strength towards the London close, when Wall Street was extending its move into record territory and the US dollar was moving higher. They picked up shares in the leading oil and pharmaceutical companies, as well as, more selectively, across the broader range of the London market.

Impressed by predictions from leading banking economists in Germany that the Bundesbank will cut its key discount rate today, UK analysts sounded more confident on the timing of rate cuts in Europe. The mood in London was summed up by one leading strategist who commented yesterday: "If they (the Bundesbank) do not act today, they will sooner or later, so the timing is not so compellingly significant."

Dealers stressed that the chief impetus behind the renewed advance in equities had been the reappearance of the US buyers who helped drive the Footsie above the 3,000 mark two weeks ago. Heavy sales of mutual funds in the US, with particular success for funds aimed at investment in the UK and other European stock markets, have underpinned confidence that US investors are returning to equity investment in strength.

The FT-SE Mid 250 Index also rose to a new peak yesterday, gaining 21.4 to 3,495.6. The strong rise in the UK stock market's two most widely quoted measuring rods was also underlined by high trading volume in equities, with non-Footsie stocks making up around 58 per cent of the day's Seaq total of 731.8m shares. On Tuesday, Seaq volume of 539.4m shares represented £1.25bn in retail, or customer, business, a return to the average daily totals established over the past twelve months.

Equities opened higher on the back of Wall Street's move overnight to an all-time peak and found additional encouragement from increased activity in the derivatives market.

At the day's best, the Footsie reached 3,081.8, within 8 points of the intra day peak reached on Aug 19. Marketmakers again found themselves very short of stock because fund managers instantly cancelled any selling orders previously placed with stockbrokers.

"You dare not sell anything on a day like this because it will cost you dear to try and buy it back an hour later," said one dealer. Pressures were particularly harsh in the oil share sector which bore the full weight of US buying and dollar pressures.

Equity market market confidence brushed aside the widely-expected rights issue from MB-Caradon, which came in at £334m, and also a £500m Eurosterling bond from BT.

Dealers ascribed the renewed advance in the market to a continuation of the same bullish arguments which have driven UK stocks ahead since the beginning of the month; a perception of low inflation, falling interest rates and a recovery, albeit slow, in the domestic economy.

On this basis, London will pay close attention to Wall Street's performance overnight as well as to the outcome of today's meeting of the Bundesbank policy council.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ABDA Group†	20,000	68¼	+2
Abbey National†	2,800	403	+5
Albert Fisher	1,500	72	
Allied-Lyons†	1,300	620	+6
Anglian Water†	387	529	+1
Argos	1,500	340	+7½
Argyll Group†	4,800	345	-3
Arjo Wiggins†	4,500	204	+7
Assoc. Brit. Foods†	156	528	-1
Ass. Brit. Ports	648	468	
BAA†	954	798	+10
BAT Inds.†	4,500	479	+½
BET	5,100	124½	+3
BICC	862	402	+8
BOC†	388	648	+4
BP†	9,500	317½	+12
BPB Inds.	546	251	+3
BT†	10,000	425	+2½
BT (P/Paid)	9,800	183	+3
BTR†	6,000	398½	+½
Bank of Scotland†	10,000	169½	+8½
Barclays†	8,100	515	+10
Bass†	1,800	522	+2
Blue Circle†	3,800	268	-1
Booker	324	438	+4
Boots†	4,700	486	+6
Bowater†	1,200	508	+7
Brit. Aerospace†	1,900	444	+6
British Airways†	2,100	352½	+6½
British Gas†	8,300	333½	+1
British Land	2,300	373	+6
British Steel†	6,300	114	
Bunzl	1,500	142	+4
Burmah Castrol†	234	762	+5
Burton	7,600	77	-3
Cable & Wire.†	1,300	842	+6
Cadbury Schweppes†	1,100	481	-1
Calor Group	159	365	+5
Carlton Comms.†	1,400	801	-3
Coats Viyella†	3,000	246	+6
Comm. Union†	1,800	615	+1
Cookson	1,400	229	
Courtaulds†	1,700	584	+2

[illegible]

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † indicates an FT-SE 100 index constituent.

Account Dealing Dates		
*First Dealings:		
Aug 16	Sep 6	Sep 20
Option Declarations:		
Sep 2	Sep 16	Sep 30
Last Dealings:		
Sep 3	Sep 17	Oct 1
Account Day:		
Sep 13	Sep 27	Oct 11

*New time dealings may take place from two business days earlier.

Oil issues extend recovery

AN OIL sector that has doggedly underperformed the market in the past month built convincingly on Tuesday's better performance as Wall Street continued to move to record levels.

Sizeable US buying overnight filtered through into London at the outset of trading yesterday, driving share prices sharply higher as marketmakers, already keenly aware of a growing stock shortage in London, began to chase stock prices higher in an attempt to cut their trading positions.

This only exacerbated a situation which increasingly difficult in the afternoon session when one of the US investment banks was seen aggressively bidding for stock in the oil majors.

Talk of events in Nigeria a possibly driving oil prices higher were ignored by London oil sector specialists who said the upsurge in share prices was down to three reasons; a stock shortage; the strength of the dollar; and Wall Street's latest move to record levels. There was no real boost to share prices from oil prices which were barely changed on the day.

BP surged higher in the wake of the aggressive US buying, closing 12½ higher at 317½p with turnover expanding to a good 9.9m shares. Shell moved up 11 to 671½p on 4.1m shares traded.

Deal welcomed

The market was cheered by confirmation that building products and printing company MB-Caradon is to acquire RTZ's building and electrical subsidiary Pillar, in a much heralded £800m deal.

As widely predicted, the acquisition is to be partly funded by a one-for-four rights issue at 260p, to raise £334m, with the rest of the payment coming from Caradon's existing cash pile.

Market watchers have been waiting to see how the proceeds of last April's sell of Caradon's 25.3 per cent stake in CarnaudMetalbox would be used, with many urging the company to buy a lot of sales cheaply. Researchers of the sector said the deal meets that requirement and the shares jumped 32 to 344p, at the day's peak in hectic trading before surrendering some of the earlier gains in profit-taking. They finished a net 24 ahead at 336p, with volume reaching 6.8m, more than double the daily average.

Having released bumper interim figures at the same time, analysts tinkered with full year estimates for 1993 but moved to sharply upgrade 1994 profit forecasts substantially. Mr Howard Seymour at BZW raised his forecast by £70m to 210m, and predicted earnings per share would rise from a previous estimate of 16.7p to 20.4p.

Shares in international mining and metals group RTZ jumped 10 to 712p, in trade of 3m shares.

Drugs active

The rehabilitation of the UK drugs sector, which began in earnest a couple of weeks ago when a burst of US buying triggered a general re-rating of the sector, continued yesterday and was again driven by US funds.

London marketmakers were said to have been caught short of the front line stocks such as Glaxo, Wellcome and Zeneca, all of which performed strongly. Zeneca, first traded around 592p in May this year, following its demerger from ICI, jumped 15 to a record 712p on 2.4m traded. Glaxo put on 5¼ to 583p and Wellcome 12 to 758p.

The BZW profits upgrade continued to bolster ICI which moved up 6 to 696p.

Hickson International was a rare weak spot in the chemicals area, the shares losing 13 to 171p after the 17 per cent profits fall and a disappointing accompanying statement.

US activity provided the lion's share of turnover in Vodafone where a block of 7.5m shares traded at 561p, simultaneously with a block of 750,000 ADRs traded at $84.89.

The two classes of BT made modest progress after the £500m eurosterling bond. BT "old" edged up 2¼ to 425p and the partly paid 3 to 183p.

There was no let up in the demand for Barclays Bank which has followed the appointment of Mr Martin Taylor as the bank's new chief executive as from next January. Turnover in Barclays topped 8m shares with the stock price surging ahead to close a further 10 up at a record 515p. Lloyds Bank also attracted sustained institutional support, ending a busy session 9 to the good at 548p. NatWest added 5 at 495p and Standard Chartered 13 at 938p.

The composite insurance sector was much calmer with Guardian Royal 4 firmer at 214p ahead of interim results expected this morning. Lowndes Lambert was the pick of the insurance brokers, moving up 12 to 443p on talk of a broker buy note.

A broker buy recommendation was said to have lifted National Power 8½ to 365½p. PowerGen added 9½ to 392½p.

The exploration and production sub-sector made further strong progress led up by Enterprise Oil which climbed 12 more to 448p, on above-average turnover of 3m shares, with the Kleinwort and Lehman buy recommendations issued earlier this week followed by a switch from Lasmo recommendation from another of the leading UK brokers.

Nevertheless, Lasmo continued to push ahead, the shares touching 146p before settling a further 3 higher at 145p. Turnover came out at 5.6m, maintaining the heavy activity seen in the stock over the past few weeks.

Hardy Oil added 6½ to a 1993 high of 164p following recent broker buy recommendations. Calor, another broker favourite this week, put on 5 more to 365p.

A broker's visit to Asda boosted turnover to 20m and the shares firmed 1¾ to 66¼p.

Turnover in Tate & Lyle jumped to 10m after two agency crosses. The shares eased a penny to 393p. Dalgety jumped 20 to 518p, on talk of a strong recommendation from Strauss Turnbull.

The strong trend in both the UK and French stock markets gave a push to the recovery of Euro Disney and the shares gained another 20 to 665p. Channel tunnel operator Eurotunnel was also helped by the same sentiment, the shares finishing 13 up at 466p.

A buy recommendation from its broker Credit Lyonnais Laing ahead of results next Tuesday, saw Bellwinch close 6 ahead at 40p.

Shares in high street retailer W.H.Smith surged forward after the company reported final year figures at the top end of expectations and also raised the dividend payment.

The "A" shares jumped 16 to 471p, as 4.1m shares were traded. Mr Tony Shiret at BZW was among brokers who upgraded current year estimates, raising his forecast by £5 to £122m.

WH Smith's good showing helped sentiment in Boots, and the shares put on 6 to 486p. Profit-taking was blamed for the decline in Kingfisher where the shares gave up 9 to 669p.

Reports of "sell" advice from UBS left shares in Ladbroke trailing 3 to 203p. Rentokil Group were in demand ahead of today's interim figures.

The shares firmed 4 to 210p. A positive recommendation from Kleinwort was said to have continued boosting Inchcape, the shares moving 13 ahead to 567p.

The "light" end of the building materials sector provided a firm feature in Wolseley which jumped 10 more to 654p, still boosted by a series of recent buy recommendations from building analysts, notably from Carr Kitcat.

Mr Lawrence Ambolt at Carr said "in a highly rated sector, Wolseley represents good value – particularly when compared with other distributors, none of which have Wolseley's track record, nor, we would argue, its prospects or management strength."

Pilkington came in for sustained buying interest, the ordinary shares moving up 4 to 158p and the warrants 2¼ to 56½p.

Among housebuilders, Barratt jumped 5 to 161p, Wilson Bowden 11 to 439p, Wilson Connolly 8 to 192p, and Alfred McAlpine, scheduled to report interims today, 8 better at 215p.

MARKET REPORTERS:
Steve Thompson,
Joel Kibazo.

■ Other statistics, Page 16

FT-A All-Share Index

1,540 · 1,520 · 1,500 · 1,480 · 1,460 · 1,440 · 1,420 · 1,400 — Jun · 1993 · Aug

Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business and overseas turnover

800 · 600 · 400 · 200 · 0 — Jun · 1993 · Aug

Source: Datastream

FINANCIAL TIMES EQUITY INDICES

	Aug 25	Aug 24	Aug 23	Aug 20	Aug 19	Year ago	*High	*Low
Ordinary share	2394.3	2373.5	2373.1	2384.1	2384.5	1678.2	2408.1	2124.7
Ord. div. yield	3.85	3.89	3.89	3.87	3.85	5.33	4.52	3.84
Earning yld % full	4.55	4.59	4.59	4.57	4.55	7.74	[illegible]	[illegible]
P/E ratio net	28.04	27.81	27.83	27.95	28.08	16.33	28.16	19.40
P/E ratio nil	25.90	25.66	25.70	25.82	25.93	15.20	[illegible]	18.14
Gold Mines	[illegible]	199.0	197.8	[illegible]	201.5	78.7	249.2	50.0

*for 1993. Ordinary share index since compilation: high 2408.1 18/8/93 - low 49.4 26/6/40. Gold Mines index since compilation high: 734.7 15/2/83 - low 43.5 26/10/71. Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2381.3	2387.4	2392.4	2394.8	2398.2	2390.0	2394.1	2394.7	2393.1	2398.1	2381.8

Volume	Aug 25	Aug 24	Aug 23	Aug 20	Aug 19	Year ago
SEAQ Bargains	31,085	28,734	33,507	33,843	41,398	17,229
Equity Turnover(£m)†	-	1251.9	1182.8	1582.0	1749.2	828.2
Equity Bargains†	-	33,524	38,590	39,199	46,430	20,490
Shares traded (ml)†	-	475.2	505.2	606.3	711.5	336.1

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

NEW HIGHS AND LOWS FOR 1993

[illegible]

EQUITY FUTURES AND OPTIONS TRADING

BUSINESS in the UK derivatives area increased smartly yesterday as markets responded to predictions from German economists of a cut in the Bundesbank's discount rate today, writes Terry Byland.

The September future contract on the FT-SE 100 re-established a good premium of around 10 points against cash, trading at 3,097 at best. At the close the contract stood at 3,080, a premium of 9 against cash and about 3 above estimated fair value – the quotation on the contract which allows for carrying costs and dividend payments on the underlying stocks. However, interest cooled off after the Bundesbank said it planned no press conference for today.

More significantly, volume increased to 10,488 lots in the September contract, compared with under 6,000 on Tuesday and below 7,000 on Monday.

The picture was the same in traded options, where volume jumped to 37,622 contracts from Tuesday's 22,382. Both the FT-SE 100 option (8,442) and the Euro FT-SE option (2,919) saw increased interest.

Among individual stock options, oils were active, with Lasmo (2,390) still very busy as the underlying stock continued to trade heavily on hints of a shake-up in the industry. But the most active spot was taken by Amstrad, the consumer electronics company, with 2,510 contracts dealt. Glaxo, the subject of US interest again, had 1,842 lots traded.

FT-SE Actuaries Share Indices — THE UK SERIES

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]

CROSSWORD

No.8,238 Set by ADAMANT

ACROSS

1 Royal Exchange's hint of recovery (6)
4 Second publisher is fast mover (8)
10 Give authorisation to hold the gold back or the person who underwrites it (9)
11 Search for two pint container of dubious use (5)
12 Leaders of society and industry like to go with the prevailing wind (4)
13 Bonus shares distributed from ICI's purses (5,5)
15 Royal Navy reads about the commissions (7)
16 It used to have value in an African republic (6)
19 Declare return on tax exempt scheme is about right (6)
21 That fool, Edward, made the blood curdle (6)
23 Capital paper, the Independent, formerly provided financial listing (5,5)
25 Responsibility is nothing to students (4)
27 It takes river, such as the Tyne, to be chemically inactive (5)
28 Disparaging the type of cod found round German city (9)
29 The normal procedure is to put up with a retired doctor (8)
30 Shell's growth has price/earnings ratio over tuna (6)

DOWN

1 Record a certain range of voice (8)
2 Used to make a yarn about raids of the men of the Armada (9)
3 Poisonous tree from state in America (4)
5 Leaving the headline (7)
6 One of 2 as question master (10)
7 Very French square lock (5)
8 Putrid rubbish can make profit up (6)
9 Pillory the merchandise (6)
14 Showing curiosity, but resented it awfully (10)
17 Annex former partner's feeling of strain (9)
18 It's strange to look at what's not even a proper view (3,5)
20 The small bell the botcher left inside (7)
21 Another scare over English batting line-up (6)
22 Makes unexpected discovery that is within sixth sense's parameters (6)
24 The district will include new sportsground (5)
26 He's on about being present (4)

JOTTER PAD

As the result of a production error the Crossword was omitted from some copies of yesterday's paper. We apologise for the error. The solution to Puzzle 8,236 is printed here.

Solution 8,236

Solution 8,237

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs		17¼xd	—	20⅞	15⅝	14,436	2.7
Allegheny & W.	♥	657p	+14	722p	389p	341.4	3.1
Amdahl		324p	-10	591p	302½p	363.9	1.0
Amer Cyanamid		34⅞	-⅛	38⅝	31⅛	3,144	3.4
Amer Express		22xd	—	22⅞	14⅞	10,587	3.1
Amer T & T		39[illegible]xd	+1⅛	43⅛	33⅛	52,780	2.2
Ameritech		55	+1[illegible]	58⅛	46	24,061	4.5
Anheuser-Busch		31⅝	+[illegible]	41⅛	30⅛	8,751	2.9
BankAmerica		30⅞xd	+[illegible]	38⅛	27⅛	10,976	3.0
Bankers NY		52[illegible]xd	+[illegible]	54⅛	42⅞	4,248	3.9
Bell Atlantic		38⅛	+1⅛	40⅛	32¼	17,105	4.6
BellSouth		37⅛	+1[illegible]	38⅞	32⅞	18,339	5.0
Bethlehem Steel	♥	9⅞xd	+⅛	13⅛	8⅞	848.5	-
Bowater		1374pxd	+37	1682p	1287p	497.9	2.9
CPC		29⅞xd	+⅛	34⅞	28	4,487	2.9
California Engy		1188p	-44	1479p	1088p	218.3	-
Chase Manhattan		22⅞xd	+⅝	24½	17⅞	3,551	3.6
Chrysler		28⅛xd	+⅛	32⅛	21⅛	8,238	1.4
Citicorp		22[illegible]xd	+[illegible]	22⅞	13⅛	8,065	-
Colgate-Palm		34⅛xd	+⅞	45⅝	32	6,449	2.8
Cont'l Bank		1810p	+23	1877p	1278p	1,626	2.5
Dana		36[illegible]xd	+[illegible]	37⅝	29[illegible]	1,604	2.9
Data General		610p	—	951p	527p	168.3	-
Decora Inds	♥	104p	—	146p	104p	-	-
Dun & Brad		40⅛	+⅞	42⅛	37⅛	7,263	4.1
Exxon		31⅞	+⅛	31⅞	25⅞	2,200	2.5
Echlin		19⅛xd	+⅛	20½	15⅛	1,129	2.4
FPL		25⅞xd	+⅛	27⅞	23⅛	4,700	6.4
Ford Motor		34½xd	+1⅛	38½	28⅛	18,840	1.9
Gen Elect		65[illegible]xd	+[illegible]	67⅛	53⅞	56,208	2.6
General Host	♥	631p	+55	722p	456p	-	4.5
Gillette		38½xd	+½	42⅞	31⅛	8,020	1.5
Hasbro		20⅞	—	28⅞	20⅞	1,819	0.8
Honeywell		25[illegible]xd	+1⅛	28½	20[illegible]	3,528	2.3
Houston Inds.		30⅞	+½	33⅛	28¼	3,998	6.5
[illegible]							

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

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INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

	Notes	Price	+ or -	1993 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglian	[illegible]	529	+1	553	455	1,586	5.6	10.7
Bristol Water	[illegible]	983	+5	948	775	93.8	4.3	11.0
Chesam A		398	—	400	195	20.0	3.5	14.2
B N/V		373		378	180	8.94	3.7	13.3
East Surrey		363		363	270	48.8	3.9	9.1
Mid Kent	[illegible]	320		320	244	[illegible]	4.1	11.8
North West	[illegible]	620	-1	637½	401½	1,899	5.1	9.3
Northumbrian	[illegible]	638		662	547	430.0	4.4	6.6
Severn Trent	[illegible]	541	-1	548	439	1,831	4.9	8.7
Southern	[illegible]	580	-3	577	454	932.0	4.8	8.3
South Staffs	[illegible]	1526		1526	1225	85.4	3.9	10.9
South West	[illegible]	557	+2	589	465	895.7	5.3	9.1
Thames	[illegible]	542		559	454	2,113	4.8	10.8
Welsh	[illegible]	619		638	506	893.2	4.7	6.2
Wessex	[illegible]	632	+1	*649	536	782.4	4.3	9.5
York W'works		308		308	210	19.0	3.7	13.6
Yorkshire	[illegible]	582	-2	599	473½	1,097	4.8	9.4

SOUTH AFRICANS

	Notes	Price	+ or -	1993 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£12¼		£12¼	£7½	730.8	5.8	8.9
Barlow Rand		851¼	+1½	£10⅝	£5¼	1,202	5.6	3.4
Gold Flds Prop		88		107	42	5.00	11.7	7.2
NK Props		88		97	69	2.73	19.3	2.8
OK Bazaars		98		118	70	88.2	2.0	–
SASOL		285	-3	300	215	1,612	5.5	[illegible]
SA Brews		810	+5	975	757	2,488	3.0	18.1
Tiger Oats		562	-38	750	538	844.2	2.8	17.8
Tongaat-Hulett		380	—	385	212	224.6	4.9	8.7

PLANTATIONS

	Notes	Price	+ or -	1993 high	low	Mkt Cap£m	Yld Gr's
Rubbers, Palm Oil							
Anglo-East		48		48	35	13.1	3.7
Bertam		150		150	93	31.3	4.2
Cons Plants MS		47		58	42	331.5	7.9
Golden Hope MS		38		46	37	400.5	6.0
Highlands MS		28		39	24	84.6	10.8
Kuala Kepong MS		78		93	73	370.7	5.1
Rowe Evans		69		83	41	22.8	4.0
Teas							
Williamson		570	—	600½	325	18.3	5.0

MINES

	Notes	Price	+ or -	1993 high	low	Mkt Cap£m	Yld Gr's
Central Rand							
Durban Deep		522	-21	709	120	12.2	–
East Rand Prp		211	-7	270	54	35.1	–
Randfontn Est		540	-3	671	150	335.0	5.5
West Rand		58		66	45	2.46	–
Eastern Rand							
APMM		1		1	0½	0.24	10.0
Bracken		36	+1	46	18	5.04	–
Eastern Trans.		65		65	15	58.1	3.7
ERGO		124	-5	201	47	56.9	9.4
Grootvlei		100	-1	187	49	12.4	9.7
Kinross		851	+16	1080	322	155.0	5.9
Leslie		103	+1	137	35	16.5	4.0
Rander		14	-2	20	4	1.27	–
Winkelhaak		884	-7	1029	323	108.9	1.1
Far West Rand							
Blyvoor		115	-2	138	33	27.4	5.3
Buffels		675	-4	871	233	74.3	9.7
Deelkraal		128	-3	185	37½	127.4	1.8
Doornfontein		47	-3	98	7	18.8	–
Driefontein		733	-3	913	368	1,454	4.3
Elandsrand		354	-6	604	117	343.3	3.5
Hartebeest		384	-4	425	87	340.5	6.5
Kloof		637	-12	913	319	882.9	7.5
Southvaal		1764	-2	2169	£3¼	458.8	3.3

MINES - Cont.

[illegible]

	Notes	Price	+ or -	1993 high	low	Mkt Cap£m	Yld Gr's
Man Ship Can		120¼	+¼	229	£12½	118.0	0.2
Europa Mins	[illegible]	38		42	15	18.3	–
Gencor Expl		11		12	6	2.03	–
Greenwich Res		18½		22¼	5	12.1	–
Hemlo Gold C$		27½	+¼	28¾	£11½	728.8	1.2
Iwa-Ma West		42		67	31	21.1	–
Kalis Mins		13		13	6	0.21	–
Kenmare		8¼		13½	6	8.28	–
Mefinga Res.		11	+2	20½	7½	1.21	–
Noven Res		101	+6	102	25	17.2	–
5pc Ln Notes		[illegible]		98¼	25	17.1	–
Oryx Gold		76½		78½	47	–	–
Ovoca Res		8		8	3½	0.60	–
RTZ		712	+9½	715	607	7,358	3.7

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- [symbol] Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ)
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- [symbol] Figures or report awarded
- [symbol] Not officially UK listed, dealings permitted under rule 535(4)(a)
- [symbol] Free annual/interim report available, see details below
- [symbol] USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities
- [symbol] Not officially UK listed, dealings permitted under Rule 535(2)
- [symbol] Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement
- [symbol] Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction issue
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94
N Figures based on IIMR "Headline Earnings" draft proposals
P Figures based on prospectus or other official estimates for 1994
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures
Z Dividend yield to date

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xc ex capital distribution.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (V) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

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Prudential Assurance Co
Holborn Bars, London EC1N 2NH 071-405 9222

Prufund	Bid Price	Offer Price	+ or -	Yield Gross
Managed Aug 25	318.8	337.9	+1.7	-

Prudential Corporate Pension Funds
55 King's Road, Reading RG1 3AH 0734 494852

Prudential Managed Funds	Bid Price	Offer Price	+ or -	Yield Gross
Discretionary Aug 18	£247.19	254.90	+4.12	-
Equity Aug 18	£278.89	286.60	+5.53	-
International Aug 18	£42.23	43.35	+0.66	-
Intl Bond Aug 18	£21.29	21.56	+0.07	-
Fixed Int Aug 18	£131.58	133.07	+1.46	-
Index Linked Aug 18	£84.72	85.74	+0.09	-
Property Aug 18	£111.47	117.61	+0.27	-
Cash Aug 18	£33.78	33.78	+0.04	-
Pru-Linked Retirement Plan				
Managed Aug 18	578.50	602.70	+4.00	-
Cash Aug 18	306.10	318.90	+0.30	-
Prudential Pensions Investment Account				
Pens Mngd	232.80	250.30	+0.90	-
Pens Mngd A	104.20	109.70	+0.40	-
Pens UK Eq	395.80	428.50	+2.00	-
Pens Intl	293.80	315.10	+0.50	-
Pens Global Eqty	132.30	139.30	+0.30	-
Pens Fixed	294.30	310.70	+0.70	-
Pens Index Lk	238.70	250.20	+0.10	-
Pens Property	90.40	95.20	—	-
Pens Cash	199.90	210.50	+0.12	-
Money Purchase Plan				
Discretionary (z)	133.60	143.30	+0.40	-
Equity (z)	138.00	148.30	+0.30	-
International (z)	134.30	143.30	+0.60	-
Global Equity (z)	138.40	148.40	+0.40	-
Intl Bond Fab (z)	147.30	154.90	+0.50	-
Fixed Interest (z)	146.70	153.70	-0.30	-
Index Linked (z)	150.10	157.20	-0.20	-
Property Fab (z)	101.20	111.20	—	-
Cash (z)	115.50	121.30	—	-

Prudential Individual Life Funds
55 King's Road, Reading, RG1 3AH 0734 494852

Series I Life Funds	Bid Price	Offer Price	+ or -	Yield Gross
Managed	742.0	781.1	+1.5	-
Equity	1450.6	1527.0	+3.5	-
Fixed Interest	596.9	628.4	-0.5	-
Property	393.8	414.6	—	-
Cash	369.7	389.0	—	-
International	584.7	615.5	+1.7	-
Series II Life Funds				
Managed	714.0	751.6	+1.4	-
Equity	1392.1	1465.4	+3.4	-
International	562.8	592.5	+1.4	-
Fixed Intl	570.8	600.9	-0.4	-
Property	375.7	395.5	—	-
Cash	351.2	369.7	—	-
Pacific Basin	316.8	333.5	-0.7	-

Scottish Amicable - Contd.

Others	Bid Price	Offer Price	+ or -	Yield Gross
Capital Guarantee Bond	105.2	110.8	+0.60	-

Scottish Equitable Life Assce. Soc.
28 St Andrew Sq, Edinburgh 031-556 9101

	Bid Price	Offer Price	+ or -	Yield Gross
Mixed	242.1	254.8	+2.0	-
UK Equity	228.9	240.9	+1.2	-
International	244.4	257.3	+1.6	-
American	244.1	257.0	+4.1	-
European	229.2	241.2	+2.5	-
Japan	285.5	300.0	-1.0	-
Pacific	337.9	355.7	+0.6	-
Technology	310.2	328.0	+3.0	-
Fixed Interest	181.1	190.6	-0.2	-
Indexed Linked	159.3	167.7	-0.2	-
Foreign Bond/Currency	226.6	238.5	+0.4	-
Cash	173.914	183.067	+0.032	-
Ethical	123.9	130.4	+0.8	-
Pens Mixed	699.3	736.1	+7.1	-
Pens UK Equity	780.3	821.4	+4.2	-
Pens International	760.4	800.4	+6.6	-
Pens American	246.7	261.8	+6.1	-
Pens European	270.5	284.7	+4.5	-
Pens Japan	310.1	326.4	-2.5	-
Pens Pacific	386.9	407.3	+1.8	-
Pens Fixed Interest	372.8	392.5	+1.1	-
Pens Index Linked	197.6	208.0	-0.1	-
Pens Cash	277.248	291.832	+0.030	-
Pens Property	213.88	225.14	—	-
Pens Ethical	161.0	169.5	+0.9	-
Edinburgh Inv	371.1	390.7	+1.2	0
Baillie Gifford Japan	254.5	267.8	+1.0	-

Scottish Life Investments
19 St Andrew Square, Edinburgh 031-225 2211

	Bid Price	Offer Price	+ or -	Yield Gross
Property	180.0	189.5	---	-
UK Equity	339.4	357.4	+1.9	-
American	347.6	360.7	+5.4	-
Pacific	333.2	350.9	+2.5	-
European	435.7	458.7	+5.3	-
International	295.2	310.9	+3.5	-
Fixed Interest	342.3	355.2	+0.4	-
Index Linked	195.5	206.0	+0.4	-
Deposit	188.2	198.1	—	-
Managed	271.9	286.3	+1.8	-
Worldwide	118.9	125.2	+0.1	-
With Profits Pens	85.9	90.5	—	-
Pens. Property	310.1	321.3	+0.1	-
Pens. UK Equity	405.5	426.9	+2.9	-
Pens. American	277.2	291.9	+7.0	-
Pens. Pacific	380.3	400.4	+1.5	-
Pens. European	520.8	548.3	+7.2	-
Pens International	346.9	365.2	+4.1	-
Pens. Fixed Int	299.0	314.8	+0.5	-
Pens. Index Linked	211.0	222.5	+0.4	0.0
Pens. Deposit	248.2	261.3	—	-
Pens. Managed	325.3	342.6	+2.8	-

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

OFFSHORE INSURANCES

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JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

DM weaker on inflation news

THE D-MARK weakened against most European currencies and the US dollar yesterday after data from several German states suggested that the country's August inflation figure would be flat, *writes James Blitz*.

Coming the day before the Bundesbank council meeting, the better-than-expected inflation data were bound to depress the D-Mark. Expectations were already high for a ¼ of a percentage point cut in the discount rate, currently at 6.75 per cent. Yesterday, some analysts were talking of a ½ percentage point cut, with inflation looking as though it would fall on an annualised basis in August from 4.3 per cent to 4.1 per cent.

The major winners from the inflation news were the French franc and the Danish krone, with a dealer at one of the leading London counterparties saying he had seen very strong selling of the "Mark-Paris" cross rate. The French currency closed at FFr3.472 from a previous close of FFr3.481. The Danish krone closed at around DKr4.085 having been at DKr4.11 at the start of the day.

The dollar also gained nearly a pfennig against the D-Mark in the wake of the German inflation news, closing at DM1.6880. This was despite a sharper-than-expected drop in July's Durable Goods Orders by 3.8 per cent, the fourth monthly decline in the past five months.

Sterling fell back 1½ pfennigs against the D-Mark, amid signs that investors were selling UK government bonds. The currency closed at DM2.5025. Rumours that the Danish authorities were selling sterling to buy Danish krone also helped to depress the British currency.

The most surprising move among European currencies yesterday was in the Belgian franc which dropped sharply yesterday against the D-Mark, from BFr21.02 to around BFr21.16. It later closed at BFr21.12.

The main trigger for the move was a report that 14 Flemish economists had said that continuing to tie the Belgian franc to the D-Mark would damage industry and employment prospects and was no longer an acceptable option.

The Belgian central bank leapt to the currency's defence, saying that policy would be unchanged. But Mr Mark Austin, treasury economist at Midland Global Markets, said it was striking that the Belgian currency had suffered so badly on a day when most of Europe had performed well against the D-Mark.

The yen continued to weaken against the dollar, a process helped by extremely heavy intervention from the Bank of Japan at the Y104.00 level. Some dealers said they had not been expecting intervention until the currency got to Y103.00. In London, the dollar closed at Y104.90 from a previous Y103.70. There was a growing feeling among dealers that the currency might not break through the Y100 level for some time, if at all.

£ IN NEW YORK

Aug 25	Latest	Previous Close
£ Spot	1.4625 - 1.4635	1.4650 - 1.4660
1 month	[illegible]	[illegible]
3 months	[illegible]	[illegible]
12 months	[illegible]	[illegible]

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Aug 25	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Dutch Guilder	2.19672	2.16155	-1.60	7.91	-
D-Mark	1.94964	1.92236	-1.37	7.66	-
Spanish Peseta	154.250	155.135	0.57	5.58	-4
Belgian Franc	40.2123	40.6405	1.06	6.07	-6
Irish Punt	0.808628	0.817215	1.06	5.07	-7
Portuguese Escudo	192.854	195.836	1.54	4.57	-10
French Franc	6.53883	6.70143	2.49	3.61	-21
Danish Krone	7.43679	7.89671	6.18	0.00	-42

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
‡Indicative values only. Divergence indicators are based on 15% band limitations but do not show the 2.25% band between the Dutch Guilder and D-Mark.

POUND SPOT - FORWARD AGAINST THE POUND

Aug 25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4780 - 1.4965	1.4820 - 1.4830	0.35-0.33cpm	2.75	1.02-0.98pm	2.71
Canada	1.9425 - 1.9745	1.9470 - 1.9480	0.26-0.17cpm	1.32	0.67-0.47pm	1.17
Netherlands	2.8250 - 2.8450	2.8075 - 2.8175	[illegible]	-0.60	[illegible]	-0.71
Belgium	52.55 - 53.35	52.50 - 52.60	16-24cdis	-4.77	43-52dis	-3.56
Denmark	10.2225 - 10.3700	10.2340 - 10.2450	[illegible]	-5.71	[illegible]	-4.27
Ireland	1.0640 - 1.0700	1.0640 - 1.0660	0.05-0.10cdis	-0.85	0.18-0.23dis	-0.77
Germany	2.5000 - 2.5250	2.5020 - 2.5050	[illegible]	-0.90	[illegible]	-0.80
Portugal	253.50 - 256.75	254.00 - 255.00	113-126cdis	-5.65	310-346dis	-5.16
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

OTHER CURRENCIES

[illegible]

EXCHANGE CROSS RATES

	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C $	B Fr.	Pta	Ecu
£	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	0.675	1	1.688	104.3	5.062	1.484	1.80	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	0.400	0.592	1	62.15	3.472	0.879	1.13	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	0.431	9.531	16.09	1000.	55.86	14.15	18.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	1.151	1.706	2.880	179.0	10	2.533	3.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.455	0.674	1.137	70.66	3.949	1	1.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
N Fl.	0.356	0.527	0.890	55.30	3.089	0.782	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	0.422	0.626	1.057	65.67	3.668	0.929	1.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	0.514	0.761	1.285	79.87	4.462	1.130	1.44	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	1.901	2.851	4.734	294.2	16.44	4.163	5.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pta	0.404	0.732	1.236	76.83	4.292	1.087	1.38	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu	0.762	1.130	1.908	118.9	6.626	1.678	2.14	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Pesetas per 100

MONEY MARKETS

New hopes on rates

EXPECTATIONS that the Bundesbank would cut its discount rate at today's council meeting strengthened yesterday after the latest German inflation data were lower than the market had expected, *writes James Blitz*.

The market appears to expect that the discount rate will be cut by ½ a percentage point today, from its current level of 6.75 per cent. However, there were fewer expectations that the central bank would call for a cut in the repo rate at next week's money market tender, preferring to keep it at around 6.80 per cent for 14 day funds.

UK clearing bank base lending rate 6 per cent from January 26, 1993

Expectations of a cut in the discount rate floor were strengthened by inflation figures for most of the German states which suggested that annualised inflation will be at 4.1 per cent in August, down from 4.3 per cent in July.

This news helped lift sentiment in the German cash and futures markets. The Bundesbank will probably heed the fact that Swiss bonds also rallied on the news, closing up about 40 ticks.

It was striking that 100 per cent of bids for funds were accepted by the Bundesbank at its weekly tender yesterday, but that only DM90.3bn were added. This was some DM10bn below expectations. Mr Adrian James, an economist at NatWest Markets, said this suggested that banks were holding back on bids, expecting easier borrowing conditions through a cheaper discount window.

The low level of bids left dealers scrambling for funds at one stage, and call money was as high as 7.0 per cent.

Euromark futures were up on the inflation news, reflecting expectations of lower rates. The December contract was up 7 basis points at 94.10.

Better sentiment in Germany fed through to the French sector, where Pibor contracts were also higher. September closed up 5 basis points at 93.20 and December was up 6 at 94.33. French policy continues to give the impression that rates will only be cut if the Bundesbank eases first.

Sterling markets were mostly unaffected by the news in Europe, although the September short sterling contract closed up 3 basis points at 94.15. Three month sterling cash was again unchanged at 5⅞ per cent on the bid side. There was a daily shortage of £600m in the discount market which was swiftly despatched.

FT LONDON INTERBANK FIXING

(11.00 a.m. Aug 25) 3 months US dollars — bid 3¼ offer 3⅜ — 6 months US Dollars — bid 3⅜ offer 3½

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	6	One month	2.93	Three year	4.24
Broker loan rate	[illegible]	Two month	3.03	Five year	4.88
Fed funds	[illegible]	Three month	3.05	Seven year	5.16
Fed funds at intervention	[illegible]	Six month	3.16	10-year	5.56
		One year	3.37	30-year	6.22
		Two year	3.91		

Aug 25	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	6.85-6.90	6.70-6.80	6.60-6.75	6.45-6.55	6.25-6.10	7.75
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.75
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-

LONDON MONEY RATES

[illegible]

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS; LIFFE EURO SWISS FRANC OPTIONS; LIFFE EURO MARK OPTIONS; LIFFE SHORT STERLING OPTIONS; LIFFE EUROMARK OPTIONS; LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS; LONDON (LIFFE); CHICAGO; PHILADELPHIA SE £/$ OPTIONS; PARIS; POUND - DOLLAR

[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls September	Calls December	Calls March	Puts September	Puts December	Puts March
120	2.94	2.63	-	-	0.33	-
121	1.94	-	-	-	0.57	-
122	0.95	1.45	-	0.02	0.80	-
123	0.15	0.97	-	-	1.38	-
124	-	0.59	-	-	-	-
Open int	96,670	146,931	24,590	239,482	114,231	16,123

Estimated volume 74,406 † Total Open Interest 637,997
† All Yield & Open Interest figures are for the previous day.

BASE LENDING RATES

	%
Adam & Company	6
Allied Trust Bank	6
AIB Bank	6
●Henry Ansbacher	6
B & C Merchant Bank	13
Bank of Baroda	6
Banco Bilbao Vizcaya	6
Bank of Cyprus	6
Bank of Ireland	6
Bank of India	6
Bank of Scotland	6
Barclays Bank	6
Brit Bk of Mid East	6
●Brown Shipley	6
CL Bank Nederland	6
Citibank NA	6
City Merchants Bank	6
Clydesdale Bank	6
The Co-operative Bank	6
Coutts & Co	6
Credit Lyonnais	6
Cyprus Popular Bank	6
Duncan Lawrie	6
Equatorial Bank plc	6
Exeter Bank Limited	7
Financial & Gen Bank	7
●Robert Fleming & Co	6
Girobank	6
●Guinness Mahon	6
Habib Bank AG Zurich	6
●Hambros Bank	6
Heritable & Gen Inv Bk.	6
●Hill Samuel	6
C. Hoare & Co	6
Hongkong & Shanghai.	6
Julian Hodge Bank	6
●Leopold Joseph & Sons	6
Lloyds Bank	6
Meghraj Bank Ltd	6
McDonnell Douglas Bk.	6
Midland Bank	6
Mount Banking	6
NatWestminster	6
Nykredit Mortgage Bnk	6.5
●Rea Brothers	6
* Roxburghe Bank Ltd	6
* (in administration)	
Royal Bk of Scotland	6
●Smith & Williamson Secs.	6
Standard Chartered	6
TSB	6
●United Bk of Kuwait	6
Unity Trust Bank Plc	6
Western Trust	6
Whiteaway Laidlaw	6
Wimbledon & Sth West	7
Yorkshire Bank	6

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

WORLD STOCK MARKETS

AUSTRIA — BELGIUM/LUXEMBOURG — DENMARK — FINLAND — FRANCE — GERMANY — NETHERLANDS — NORWAY — SPAIN — SWEDEN — SWITZERLAND — SOUTH AFRICA — ITALY — AUSTRALIA — HONG KONG — MALAYSIA — SINGAPORE — JAPAN

[illegible]

CANADA

TORONTO

4 pm close August 25

[illegible]

MONTREAL

4 pm close August 25

[illegible]

INDICES

NEW YORK

DOW JONES	Aug 24	Aug 23	Aug 20	Aug 19	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3638.96	3605.98	3615.48	3612.13	3638.96 (24/8)	3241.95 (20/1)	3638.96 (24/8/93)	41.22 (2/7/32)
Home Bonds	109.32	109.29	109.11	109.02	109.32 (24/8)	103.49 (11/1)	109.32 (24/8/93)	54.99 (1/10/81)
Transport	1649.71	1631.55	1633.26	1654.63	1683.08 (16/4)	1453.84 (4/1)	1683.08 (16/4/93)	12.32 (8/7/32)
Utilities	252.90	251.05	251.45	250.88	252.90 (24/8)	217.14 (8/1)	252.90 (24/8/93)	10.50 (8/4/32)

DJ Indl. Day's High 3648.18 (3630.57) Low 3590.89 (3578.87) (Theoretical♦)
Day's High 3638.96 (3615.49) Low 3605.14 (3585.84) (Actual♦)

STANDARD AND POOR'S

	Aug 24	Aug 23	Aug 20	Aug 19	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	459.77	455.23	456.16	456.43	459.77 (24/8)	429.05 (8/1)	459.77 (24/8/93)	4.40 (1/6/32)
Industrials♥	522.10	517.38	518.60	518.81	524.99 (10/3)	495.48 (26/4)	524.99 (10/3/93)	3.62 (21/6/32)
Financial	46.91	46.27	46.23	46.32	46.91 (24/8)	39.88 (8/1)	46.91 (24/8/93)	8.64 (1/10/74)
NYSE Composite	255.15	252.91	253.25	253.23	255.15 (24/8)	238.21 (8/1)	255.15 (24/8/93)	4.46 (25/4/42)
Amex Mkt. Value	453.20	448.51	448.70	447.86	453.20 (24/8)	395.84 (8/1)	453.20 (24/8/93)	29.31 (9/12/72)
NASDAQ Composite	736.14	730.86	730.96	730.48	735.14 (24/8)	645.87 (26/4)	735.14 (24/8/93)	54.87 (31/10/72)

	Aug 20	Aug 13	Aug 6	year ago (approx.)
Dow Industrial Div. Yield	2.82	2.88	2.87	3.17
	Aug 18	Aug 11	Aug 4	year ago (approx.)
S & P Industrial div. yield	2.48	2.62	2.53	2.62
S & P Indl. P/E ratio	25.60	25.14	25.09	29.06

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Texas Utilities	7,986,200	48⅞	+ ¼
Home Depot	3,992,000	41⅛	+ ⅛
Beverly Ents	3,241,800	10⅛	- ⅞
Gen Motors	2,756,700	45¾	+ 1⅝
Amer T & T	2,752,900	59½	+ 1½
Chrysler	2,694,600	42¼	+ ⅞
RJR Nabisco	2,493,800	5¼	+ ⅛
Telefonos	2,464,300	54¼	+ ⅜
Merck	2,435,900	32⅞	- ⅛
Wal-Mart Stores	2,311,800	28¼	+ ⅛

TRADING ACTIVITY

† Volume (Millions)	Aug 24	Aug 23	Aug 20
New York SE	264.873	206.615	274.634
Amex	23.709	13.359	18.314
NASDAQ	(u)	226.931	260.382
NYSE			
Issues Traded	2,597	2,610	2,632
Rises	1,301	943	1,010
Falls	679	1,023	945
Unchanged	617	644	677
New Highs	147	122	109
New Lows	15	17	17

CANADA

TORONTO	Aug 24	Aug 23	Aug 20	Aug 19	1993 HIGH	1993 LOW
Metals & Minerals	3130.64	3121.57	3120.60	3119.92	3140.94 (18/8)	2743.31 (21/1)
Composite	4112.20	4091.60	4077.20	4069.60	4112.20 (24/8)	3275.80 (21/1)
MONTREAL Portfolio	1957.88	1956.01	1950.06	1937.97	1957.88 (24/8)	1720.97 (21/1)

Base values of all indices are 100 except NYSE All Common - 50; Standard and Poor's - 10; and Toronto Composite and Metals - 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock, whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

AUSTRALIA — AUSTRIA — BELGIUM — DENMARK — FINLAND — FRANCE — GERMANY — HONG KONG — IRELAND — ITALY — JAPAN — MALAYSIA — NETHERLANDS — NORWAY — PHILIPPINES — SINGAPORE — SOUTH AFRICA — SOUTH KOREA — SPAIN — SWEDEN — SWITZERLAND — TAIWAN — THAILAND — WORLD

[illegible]

WORLD						
M.S. Capital Intl.(1/1/70) $	593.6*	594.8	593.4	594.5	602.00 (19/8)	488.60 (13/1)
Euro Top-100 (26/6/90)	1124.58	1113.55	1112.53	1122.25	1132.14 (18/8)	952.73 (13/1)

**Saturday August 21: Taiwan Weighted Price: 4020.35, Korea Comp Ex: 734.38.
♥ Subject to official recalculation. † Correction. *Calculated at 15.00 GMT.

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX - 1,000, JSE Gold - 255.7, JSE 20 Industrials - 264.3 and Australia All Ordinary and Mining - 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday, August 25, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nikkatsu	8.2m	24	+6	Nissan Constr	2.4m	880	+46
Fujitsu	4.0m	791	+11	Nippon Steel	2.3m	374	+4
Sanyo Elec	3.0m	438	-7	Kaneka Corp	2.1m	692	+36
Tagasako Ind	2.7m	950	+16	Itochu Corp	1.9m	618	+4
Hitachi	2.6m	841	+11	Ricoh	1.8m	607	+12

4 pm close August 25

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14⅝	11½	AAR Corp	0.48	3.6	62	59	13¼	13	13¼	
29⅜	13¾	A L Labs A	0.18	1.0	37	422	19⅛	18¾	18⅞	-⅛
65⅞	54⅝	AMP Inc	1.60	2.5	22	1861	64⅜	64⅛	64¼	
72¼	55½	AMR			17	10608	68⅜	66⅜	67⅝	+1¾
3⅜	1¾	ARX			12	454	3⅛	3	3⅛	
51½	29⅞	ASA	2.00	4.4	29	434	45⅜	45	45⅛	-⅛
30¾	22⅝	Abbott Lab	0.68	2.6	16	6709	26⅛	25¾	25¾	-⅛
12⅝	9½	Abitibi Pr	0.50	5.2	4	2100	9⅝	9⅝	9⅝	
15¾	8¼	Accumcin			45	74	14⅝	14⅜	14⅝	-⅛
38	25½	ACE Ltd	0.40	1.2		1829	34½	34	34⅛	+⅜
12	10¾	ACM Gvt In	0.96	8.6		438	11⅛	11	11⅛	+⅛
10	9⅛	ACM GvtOpp	0.80	8.1		33	9⅞	9¾	9⅞	+⅛
9⅞	8¾	ACM Gvt Sp	0.80	8.6		822	9⅜	9¼	9¼	
11⅝	10½	ACM Gvt Se	0.96	8.8		1916	11⅛	10⅞	10⅞	
11⅝	9⅝	ACM Mgn	1.08	9.6		140	11⅜	11¼	11¼	
9⅞	8⅝	ACM Managd	0.72	7.7		297	9⅜	9¼	9⅜	
12⅜	7¾	Acme Cleve	0.44	4.6	12	194	9⅞	9⅝	9⅝	-⅛
9¼	6½	Acme Elect			48	35	7⅛	7	7	
25⅜	18⅜	Acordia	0.44	1.8	14	102	25	24¾	24⅞	+⅛
16	10⅜	Acuson			32	283	11¾	11⅝	11¾	+⅛
21¾	19	Adams Expr	0.48	2.5	1	193	19⅝	19½	19½	
68¼	45½	Ad Micro	3.00	4.7		715	65	63⅜	63⅝	-½
32¾	17⅝	Ad Micro P	3.00	9.8	12	9236	31½	30⅜	30⅝	-⅞
7¾	5½	Advest Grp	0.16	2.3	12	192	7	6⅞	6⅞	-⅛
24¾	16⅛	Advo Inc	0.08	0.5	19	673	17⅝	17½	17½	-⅛
49⅞	41⅛	Aegon ADR	2.95	6.1	9	43	48¼	48	48⅛	-⅛
60½	43⅜	Aetna Lf	2.76	4.7	41	2022	59⅜	58½	59	+¼
14½	11½	Affil A	0.36	1.8	30	1718	14¼	14⅛	14¼	
33⅞	28½	Aflac	0.40	1.2	16	1337	33⅝	33⅛	33¼	-¼
22⅛	16¾	Ahmanson	0.88	4.4	23	2596	20⅛	19⅞	19⅞	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- B - [illegible]

- C - [illegible]

- D - [illegible]

- E - [illegible]

- F - [illegible]

- G - [illegible]

- H - [illegible]

- I - [illegible]

- J - [illegible]

- K - [illegible]

- L - [illegible]

- M - [illegible]

- N - [illegible]

- O - [illegible]

- P - Q - [illegible]

- R - [illegible]

Continued on next page

NYSE COMPOSITE PRICES

4 pm close August 25

Continued from previous page

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- S -								
22	15½	S Axle Rz	1.36	7.3	15	297	17½	17¼	17⅜	
20¾	14⅞	SCOR US Cp	0.32	2.1	193	5	15½	15½	15½	+⅛
29¾	20	SPS Techno	1.28	4.6	20	34	28	27¾	27¾	
14½	12⅞	Sabine Rlt	1.80	12.5	10	85	u14½	14⅜	14⅜	+⅛
13¾	6⅞	Safecard	0.20	1.6	12	146	12⅞	12⅝	12⅝	
23½	15⅞	Safeg'd Sc			10	44	22	21⅞	21⅞	
24¾	14⅞	SafetyKln	0.36	2.4	23	741	15⅝	15¼	15¼	-⅛
16¾	10⅞	Safeway			28	756	18⅝	18⅛	18⅜	+⅛
4⅛	2	Safeway W96				224	4	4	4	
55	37½	StJoePaper	0.20	0.4	145	395	50¼	48⅞	49½	-½
37¾	31	StJoeLP	1.76	4.7	15	49	37½	37⅛	37⅜	+½
91	75	St Paul's	2.80	3.1	14	1085	90⅞	90	90½	+⅝
11⅞	7⅞	Salant Cp			4	116	9	8¾	8¾	-⅛
75¾	39⅞	Sallie Mae	1.20	2.6	10	1012	47	46¼	46⅜	-⅝
14⅛	13	Salomon Br	0.32	2.3		482	u14⅛	14	14⅛	
49⅞	34	Salomonlnc	0.64	1.3	12	4758	u50	49¼	49⅞	+½
27	23¼	SanDgo G&E	1.48	5.5	14	247	26¾	26⅝	26¾	-⅛
4⅞	3½	SantaFeEDe	0.40	10.0	40	170	4	3⅞	4	
11⅞	8½	SantaFeERs	0.16	1.6	500	395	10¼	10	10	
40¾	35¾	SantaFePac	2.80	7.6	12	188	37⅝	37	37	-½
19	12¾	SantaFePac	0.10	0.5	12	3443	18¾	18¼	18¾	+⅜
31⅛	21	Sara Lee	0.58	2.3	18	8526	26¼	25¾	25¾	-½
50⅛	40⅛	Scana Corp	2.74	5.4	15	203	50⅝	50¼	50⅝	+⅛
24⅞	21½	Scecorp	1.42	5.8	15	3795	24⅝	24½	24⅝	
38⅞	23⅞	ScheringP			23	727	28⅛	27⅞	28	+⅛
70⅞	51¼	ScheringPl	1.80	3.0	15	4666	61½	59¾	60	-⅞
68⅞	21⅞	Sch'berger	1.20	1.8	25	4896	67	66¼	66⅞	-⅛
		- T -								
9½	5⅞	TCBY Enter	0.20	3.6	23	293				
34⅞	27¾	TCF Financ	0.75	2.4	7	48				
10¼	8¾	TCW Conv S	0.84	8.2		220				
39	25⅝	TDK Corp A	0.41	1.1	32	11				
3⅞	2	T I S Mtge	0.20	8.4	0	48				
34¼	26	TJX Cos	0.50	1.7	18	3269				
19½	14⅞	TNP Enterp	1.63	10.3	21	195				
69⅞	52½	TRW Inc	1.88	2.9	19	1052				
25⅞	5½	T2 Medcl	0.10	1.4	4	2054				
24¼	17⅞	Taiwan Fd				27				
7¾	3⅛	TalleyInd	0.42	8.1	28	142				
12¾	6½	Talley Pf	1.00	8.3		z100				
65	39½	Tambrands	1.52	3.3	19	3085				
16⅝	8½	Tandem			1	3464				
32⅝	24⅝	Tandy Corp	0.60	2.0	47	845				
13½	12	Taurus Mun	0.81	6.5		45				
49¾	40⅞	Teco Energ	1.92	3.9	18	883				
27⅞	20⅛	Tektronix	0.60	2.4	13	247				
5	1¼	Telecom Cp			18	39				
25⅞	18½	Teledyne	0.80	3.2	20	652				
35½	29½	TeleEspSA	1.62	4.5	6	1982				
59⅞	44⅞	Telmex ADR	0.86	1.8	223	17654				
52½	41	Templeinl	1.00	2.3	21	1624				
23⅞	14⅛	TempltEmMk	0.38	1.7		233				
9⅛	8¼	TempltGlob	0.72	8.2		122				
9	7¾	TempltGlFd	0.60	7.4		841				
53½	39⅛	Tenneco Inc	1.60	3.0	32	7495				
27½	21¾	Teppco Ptn	2.20	8.0	12	300				
29	13	Teradyne			41	2420				
11⅞	6⅛	Terex	0.08	0.8	0	394				

NASDAQ NATIONAL MARKET

4 pm close August 25

AMEX COMPOSITE PRICES

4 pm close August 25

AMERICA

Airlines, cyclicals up as Dow peaks again

Wall Street

US stock markets advanced further into record territory yesterday morning amid futures-related buying and continued strong demand for cyclical and airline stocks, *writes Patrick Harverson in New York.*

At 1 pm, all the major indices were at new record highs. The Dow Jones Industrial Average was up 17.32 at 3,656.28. The more broadly based Standard & Poor's 500 was 2.21 higher at 461.98, while the Amex composite was up 0.97 at 256.12, and the Nasdaq composite up 1.45 at 736.59. Trading volume on the NYSE was 175m shares by 1 pm.

Low interest rates, the lack of alternative attractive investments, and slowly-building confidence in the economic outlook have been cited as the main factors behind the markets' recent record-breaking run. That run showed no sign of faltering yesterday, as heavy buying of stock futures and sustained demand for cyclical and other economically-sensitive stocks continued to push prices to new highs.

Investor sentiment is so strong, in fact, that it can brush off seemingly bad economic news, such as yesterday's 3.8 per cent decline in July durable goods orders. That headline number, however, was not as bad as it looked, because the decline was entirely the result of lower aircraft orders: excluding the transportation component, orders actually rose last month. Investors were also cheered by good news from the housing market, where existing home sales rose 5.4 per cent in July.

Airline stocks were in demand after the securities house, First Boston, raised its rating for Delta Air Lines from a "hold" to a "buy". Delta climbed $2¼ to $55¼, AMR, parent of American Airlines, rose $1⅞ to $67¾, USAir rose $½ to $16¼, and UAL firmed $3⅝ to $150.

Cyclicals remained firm. Ford rose $¼ to $52¼, General Motors added $½ at $47½ and Chrysler added $½ at $42⅝. Caterpillar, which led the market higher on Tuesday, added another $1½ at $82⅞. General Electric firmed $¼ to $98⅞, and Minnesota Mining & Manufacturing put on $¾ at $108.

Philip Morris was a notably poor performer, dropping $3 to $48⅞ in volume of 4m shares after the broking house, Smith Barney Shearson, lowered its rating on the stock from "outperform" to "neutral" because of the company's failure to raise its dividend.

Toys R Us rose $1 to $36¾ in busy trading on press reports that the company plans to open Books R Us departments in its main toy stores following the success of a pilot scheme.

Bell Atlantic jumped $1⅝ to $60⅛ on the news that a federal court had ruled that the company can enter the video-programming business.

Canada

TORONTO finally broke through its previous record high in morning trading after nudging ever closer during the last few days. At midsession the TSE-300 composite index was up 7.91 at 4,120.15, with the financial services sub-index 11.01 higher at 3,081.82.

Among the most active stocks at midsession, Mitel Corp was up C$¼ at C$8⅝ and Placer Dome up C⅛ at C$27⅝.

EUROPE

Paris opens new account in high spirits

ATTENTION focused even more firmly on today's Bundesbank meeting, *writes Our Markets Staff.*

PARIS started the new account in high spirits with a 1.7 per cent rise in the CAC-40 index, up 35.91 to 2,159.31.

Turnover remained solid at FFr3.9bn. The last trading account had seen very heavy turnover, with a daily average of FFr4.3bn, swelling to a record FFr11.5bn on July 31, the day after the crisis in the ERM was triggered. During the August account the CAC-40 index gained 6.5 per cent.

Société Générale was one of the most active stocks, assisted by its successful placing of 1.8m shares in Alcatel Cable, which crossed the market in early trading at FFr600 a share. The placing was equivalent to about 4 per cent of Alcatel Alsthom's holding in the company, now around 77 per cent.

SocGen closed up FFr17 at FFr642, Alcatel Alsthom rose FFr13 to FFr735 and Alcatel Cable lost FFr13 to FFr606.

Havas, up FFr12.40 at FFr467.20, attracted attention on reports that it might raise its stake in Canal Plus, the television group, whose shares advanced FFr4 to FFr1,267, but off the day's high of FFr1,294.

Euro Disney remained in the news with suggestions in the US that a new investor might come forward. The theme park's shares gained FFr1.50 to FFr57.50.

FRANKFURT firmed as favourable inflation data from two west German states lifted the domestic bond market, and enhanced interest rate hopes. The DAX index rose 20.09 to 1,917.78, as turnover rose from DM6.2bn to DM6.6bn.

Among blue chips, MAN, the truckmaker and engineering group, rose DM10.50 to DM332 after a two-day fall of DM9.50 on poor half-year results earlier this week. Mr Nigel Longley, an institutional adviser with Commerzbank, said that some traders were taking the view that all of the bad news was out of the way.

Daimler gained DM9.30 to DM731.80 on the additional 14,000 job cuts at Mercedes, analysts reworking 1994 earnings forecasts ahead of the 1993 half-year results.

FT-SE Actuaries Share Indices

August 25								THE EUROPEAN SERIES
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1305.71	1306.61	1306.82	1307.25	1308.09	1308.97	1309.33	1310.93
FT-SE Eurotrack 200	1383.39	1383.98	1385.08	1386.44	1389.02	1387.33	1386.37	1385.62

	Aug 24	Aug 23	Aug 20	Aug 19	Aug 18
FT-SE Eurotrack 100	1295.82	1291.83	1297.31	1304.07	1303.09
FT-SE Eurotrack 200	1375.46	1374.00	1380.12	1385.51	1387.63

Base value 1000 (26/10/90) High/day: 100 - 1311.16; 200 - 1389.35 Low/day: 100 - 1305.68 200 - 1382.80

Meanwhile, Commerzbank showed a relative fall, unchanged at DM315.50 following a warning by Moody's late on Tuesday that it was reviewing the large German bank for a possible downgrade on its debt rating.

AMSTERDAM noted some positive rises in most internationals, helped by Wall Street's record close on Tuesday. The CBS Tendency index put on 1.2 at 128.0.

The publishing sector again featured, with Wolters Kluwer, popular since its good first half profits on Tuesday, adding Fl 1.50 to Fl 100.50, up some 25 per cent this year.

Gist Brocades, the biotechnology group, built on Tuesday's advance after releasing satisfactory first half figures, the shares rising Fl 1.60 to Fl 49.20. Pakhoed, the storage and transport group which is due to release first half figures today, was quoted 30 cents higher at Fl 44.10.

MADRID gained from an extended rally in the bond market, and on interest rate hopes as the general index, 3.97 higher at 297.81, registered its second consecutive high for the year. Turnover shot up from Pta24.7bn to Pta34.5bn.

Interest rate-sensitive companies, such as banks and electricity utilities, were among the main winners, Argentaria putting on Pta130 to Pta6,000 and Endesa Pta170 to Pta5,360.

ZURICH saw foreign buying in blue chips as the SMI index closed 30.0 higher at 2,502.4. Nestlé benefited with a SFr17 rise to SFr1,117.

In banks, SBC rose SFr9 to SFr497 ahead of next week's results; and a higher dollar lent support to pharmaceuticals, where Ciba-Geigy certificates put on SFr9 to SFr707.

MILAN remained fairly strong with foreign activity noted particularly in the banking sector, as well as in some other stocks which have underperformed the market recently.

The Comit index finished up 1.57 at 617.25, although more than two hours was lost due to a technical failure in the electronic dealing system.

Among the banks, Mediobanca was one of the day's best performers, putting on L553 or 3 per cent to L17,965.

OSLO featured a 5 per cent gain in shipping stocks as the All-share index rose 10.35 to 568.9. HELSINKI saw an 11.4 per cent drop in the bank shares index, and profit-taking was blamed as the Hex index fell 34.7, or 2.4 per cent to 1,416.0.

Foreign investors return to Indian equities

R C Murthy in Bombay and Stefan Wagstyl in New Delhi on the market's recent rally

Almost a year after winning permission to invest in Indian stock markets, foreign fund managers have started to put serious money into equities.

In the past six weeks, about $450m in foreign institutional funds has flowed into Indian equities, $300m of it in the past two weeks. The inflow has triggered the sharpest rally in the market since last year's financial scandal involving banks and brokers brought the 1991-92 bull run to an end.

From the end of July to last weekend, the BSE index rose 27.5 per cent. Earlier this week stock prices began to slip back on profit-taking, and yesterday fell 3 per cent to 2,655 on reports that forward trading in shares might be banned.

However, while the market was one of the world's best emerging market performers last week with a 10 per cent advance in dollar terms, according to data supplied by the IFC, an affiliate of the World Bank, it remains barely changed on the year to date.

Nevertheless, there is no mistaking the change in mood: the financial scandal is now seen as a thing of the past.

Furthermore, foreign and domestic investors seem more confident than they were even three months ago about the country's economic outlook.

The turning point was the defeat on July 28 of a no-confidence motion in the government of Mr PV Narasimha Rao, the prime minister, who was under pressure from his political opponents to refute allegations that he received money from Mr Harshad Mehta, a broker deeply embroiled in last year's scandal. Investors breathed a sigh of relief as the threat to political stability disappeared, at least temporarily.

They also welcomed signs of improved performance in the Indian economy, especially a sharp increase in exports which closed the trade deficit in the first three months of the current financial year (April-June 1993) to just $300m, down from $1.6bn a year ago.

The monsoon rains, crucial to India's agrarian-based economy, have also been good in most parts of the country.

The rise in equities has been accompanied by a five-fold increase in daily turnover in the past month – from Rs800m to Rs4bn ($25m to $127m). Brokers say this indicates the rally is broadly based and involves a large number of investors.

Brokers in Bombay suggest that a major reason for the upsurge in foreign inward investment is a growing fear among international investors that the Chinese economy may be overheating. For investors seeking to place funds in a large developing country, India is an alternative to China, they say.

However, Marlin Partners, a Bombay investment company, warns that the rally may not last because further price increases would rapidly trigger a surge in primary issues.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: Aug 20 1993	% Change over week	% Change on Dec '92	Local currency terms: Aug 20 1993	% Change over week	% Change on Dec '92
Latin America							
Argentina	(11)	662.75	+6.9	+14.2	406,679.17	+6.9	+14.5
Brazil	(44)	201.81	+12.0	+61.4	23,701,388.57	+19.4	+1036.5
Chile	(20)	429.66	+1.5	+2.7	702.38	+1.7	+9.5
Colombia[1]	(8)	443.11	+3.6	+4.2	632.25	+3.8	+3.4
Mexico	(56)	726.08	+3.1	+7.4	873.57	+3.1	+7.2
Venezuela[2]	(8)	478.58	-4.0	-7.9	1,019.20	-3.3	+9.2
East Asia							
South Korea[3]	(130)	100.02	+6.5	+1.9	106.57	+6.6	+4.7
Philippines	(11)	168.73	+3.0	+26.4	223.10	+1.5	+38.0
Taiwan, China[4]	(76)	84.14	-2.4	+14.0	84.30	-2.3	+20.9
South Asia							
India[5]	(61)	93.61	+10.0	-0.1	103.52	+10.0	+8.4
Indonesia[6]	(31)	86.16	+2.4	+50.2	100.20	+2.4	+52.3
Malaysia	(61)	224.61	+3.3	+37.3	211.56	+3.3	+34.1
Pakistan[7]	(8)	228.51	-0.7	+14.2	308.73	-0.7	+33.2
Thailand	(52)	265.04	-1.2	+15.0	264.68	-1.4	+13.5
Euro/Mid East							
Greece	(17)	247.96	-2.2	+27.0	394.38	-4.1	+38.5
Jordan	(5)	152.20	-3.3	+30.3	217.91	-3.3	+31.4
Portugal	(16)	102.11	+7.8	+32.4	119.17	+3.8	+52.9
Turkey[8]	(31)	135.78	+11.1	+103.1	+738.18	+12.3	+175.2

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1) Feb 1 1991; (2) Jan 5 1990; (3) Jan 3 1992; (4) Jan 4 1991; (5) Nov 6 1992; (6) Sep 28 1990; (7) Mar 1 1991; (8) Aug 4 1989

ASIA PACIFIC

Trading concentrates on telecoms as Nikkei rises

Tokyo

ARBITRAGE-linked trading dominated activity and share prices followed the futures market, closing higher in thin volume, *writes Emiko Terazono in Tokyo.*

The Nikkei average gained 89.61 at 20,521.45, finishing above the 20,500 level for the first time since August 16. The index fluctuated between 20,542.35 and 20,412.24 on technical trading as most investors remained on the sidelines.

Volume was 200m shares, against 172m on Tuesday, as advances led declines by 553 to 368, with 231 issues unchanged. The Topix index of all first section stocks rose 6.96 to 1,649.27 and, in London, the ISE Nikkei 50 index firmed 1.91 to 1,261.40.

Some investors were wary ahead of the last trading day for August delivery today. Many market participants were also discouraged by the June diffusion index, the leading indicator for the economy, which fell below the critical 50 per cent level for the second consecutive month.

Trading concentrated on telecommunication-related issues following the successful auction on Tuesday for DDI, a new long distance telecom company. The public offer price, the weighted average of the successful auction bids, was fixed at Y3.7m.

Short-term trading of DDI related issues is expected to heighten ahead of DDI's listing on the TSE's second section on September 3. Kyocera, DDI's leading shareholder, moved forward Y20 to Y6,180.

Dealers bought Nippon Telegraph and Telephone, which rose Y5,000 to Y938,000, while Fujitsu put on Y11 at Y791.

Banks were higher on bargain hunting. The sector had lost ground following the yen's rise, which had depressed hopes of a cut in the official discount rate. Industrial Bank of Japan advanced Y50 to Y3,390 and Mitsubishi Bank appreciated Y50 to Y2,900.

Housing-related shares were bought on reports that interest rates on housing loans will fall in October following the cuts in short and long-term prime lending rates by commercial banks. Mitsui Fudosan improved Y10 to Y1,320 and Daikyo Y30 to Y1,290.

In Osaka, the OSE average ended 71.64 higher at 22,459.27 in volume of 39.1m shares. Nintendo, the video game maker, advanced Y240 to Y10,100.

Roundup

WALL STREET'S overnight gains did relatively little for the Pacific Rim.

AUSTRALIA crept lower, the All Ordinaries index finishing 1.6 off at 1,922.6 as turnover rose from A$408m to A$434m.

News Corp slipped 13 cents to A$9.32 as its 72 per cent jump in net profits was described as below expectations. Caltex Australia, the petroleum refiner and marketer, closed 13 cents ahead at A$2.59 after its half-year results pleased oil analysts.

NEW ZEALAND saw another big business but the NZSE-40 index subsided by 18.79 to 1,984.08 as investor worries about industrial relations at Telecom, and profit-taking in Brierley, weakened the two key stocks. Telecom receded 9 cents to NZ$3.97 and Brierley dipped 5 cents to NZ$1.16. Turnover came to NZ$68m.

HONG KONG fell on worse than expected profits for airline Cathay Pacific, weakness in property shares, and futures linked trade. The Hang Seng index shed 62.10 to 7,265.58 in its fourth straight decline.

Cathay's 46 per cent drop in first-half profits left it 40 cents lower at HK$10. Among properties, Sun Hung Kai Properties lost HK$1.25 at HK$36.25 after Tuesday's major bank decision to tighten mortgage lending.

SEOUL's composite index fell a further 9.93 to 705.10, investors staying away as brokers said economic fundamentals were weak. Turnover shrank from Won298bn to Won253bn.

KARACHI finished lower on selling by short-term operators and the absence of institutional buying, the KSE index sliding 14.31 to 1,325.35.

SINGAPORE approached its all-time high again, the Straits Times Industrial index ending 21.22 up at 1,976.09. Kay Hian James Capel rose sharply on expectation that the stockbroker will do better in the second half, after a very good set of interim results, as the market's bull run continues: the registered shares added 11 cents at S$1.61.

KUALA LUMPUR was mixed but property issue Lion Land saw strong afternoon buying on renewed talk of a timber deal. The KLSE composite index edged up 0.25 to 805.72 as Lion climbed 58 cents to M$4.12 in 18.4m volume on a strong rumour linking it with Sabah Forest.

BANGKOK advanced on late buying of banks and small finance companies, the SET index finishing 8.50 ahead at 952.33 in turnover up from Bt5bn to Bt5.4bn. JAKARTA hit another year's high as the JKSE index rose 4.86 to 398.49 on strength in the banking and manufacturing sectors.

SOUTH AFRICA

THE downwards drift in gold shares on the back of a weaker bullion price deepened near the close, but industrials held on to small gains. The golds index lost 32 to 1,756 while industrials rose 7 to 4,624. The overall index shed 6 to 4,045.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock	TUESDAY AUGUST 24 1993: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY AUGUST 23 1993: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 1993 High	1993 Low	Year ago (approx)
Australia (69)	144.10	-0.8	142.76	94.46	125.98	143.86	-0.5	3.49	145.31	143.39	94.84	127.57	144.59	146.94	117.39	128.79
Austria (17)	169.09	+1.0	167.52	110.84	147.82	147.68	+0.8	1.31	167.46	165.24	109.30	147.01	146.57	169.29	131.16	149.09
Belgium (42)	150.65	+0.2	149.25	98.75	131.70	131.52	-0.4	4.36	150.36	148.37	98.13	131.99	132.01	156.76	131.19	145.95
Canada (108)	127.96	+0.6	126.78	83.88	111.86	122.22	+0.5	2.76	127.15	125.47	82.98	111.61	121.58	130.38	111.41	125.96
Denmark (33)	222.07	-0.6	220.01	145.57	194.14	208.18	-1.1	1.09	223.52	220.56	145.89	196.22	210.45	227.15	186.11	224.11
Finland (23)	114.44	-1.0	113.38	75.02	100.05	139.15	-0.9	0.87	115.56	114.03	75.42	101.44	140.36	118.56	65.50	61.17
France (97)	163.00	+1.1	161.49	106.84	142.48	149.70	+0.6	3.08	161.27	159.13	105.25	141.56	148.87	167.36	142.72	156.11
Germany (60)	122.78	+0.8	121.63	80.49	107.33	107.33	+0.4	1.96	121.79	120.17	79.50	106.91	106.91	124.94	101.59	115.07
Hong Kong (55)	289.32	-1.1	286.63	189.65	252.94	287.82	-1.1	3.40	292.55	288.67	190.93	256.83	291.05	301.61	218.82	219.19
Ireland (15)	170.01	-1.1	168.43	111.44	148.62	170.38	-1.5	3.27	171.98	169.70	112.24	150.97	173.03	171.98	129.28	158.52
Italy (70)	76.81	+0.2	76.10	50.35	67.15	91.45	+0.0	1.78	76.63	75.61	50.01	67.27	91.48	77.14	53.78	64.15
Japan (470)	157.26	-0.6	155.80	103.08	137.49	103.08	-0.1	0.80	158.14	156.05	103.21	138.84	103.21	165.91	100.75	102.39
Malaysia (69)	381.71	+0.7	378.16	250.20	333.68	374.73	+0.6	1.82	379.23	374.21	247.50	332.90	372.52	381.71	251.66	227.29
Mexico (19)	1757.05	+1.2	1740.72	1151.75	1536.03	5973.55	+1.2	0.83	1736.70	1713.68	1133.47	1524.55	5905.31	1757.05	1410.30	1259.94
Netherland (24)	180.16	+0.9	178.48	118.09	157.50	155.49	+0.5	3.47	178.50	176.14	116.50	156.70	154.71	180.16	150.39	164.63
New Zealand (13)	61.78	-1.0	61.21	40.50	54.01	59.37	-1.2	3.76	62.38	61.56	40.72	54.76	60.11	62.98	40.56	41.90
Norway (22)	169.71	-0.5	168.14	111.25	148.37	167.99	-0.6	1.57	170.54	168.28	111.30	149.71	169.03	177.31	137.71	136.40
Singapore (38)	278.80	-0.5	276.21	182.75	243.72	206.53	-0.6	1.67	280.22	276.50	182.89	245.98	207.71	281.13	207.04	186.18
South Africa (60)	198.78	+0.1	196.93	130.30	173.77	202.68	+0.1	2.55	198.63	196.00	129.63	174.36	202.53	215.29	144.72	188.69
Spain (43)	136.30	+2.4	135.04	89.35	119.16	139.30	+1.1	4.09	133.16	131.39	86.91	116.89	137.85	136.30	115.23	138.23
Sweden (36)	184.46	-0.6	182.75	120.92	161.26	219.76	-1.1	1.53	185.66	183.20	121.18	162.99	222.15	196.23	149.70	171.48
Switzerland (50)	135.01	+1.0	133.76	88.51	118.04	123.75	+0.5	1.75	133.67	131.90	87.25	117.36	123.19	135.01	108.91	111.87
United Kingdom (218)	186.01	-0.1	184.28	121.92	162.59	184.28	+0.3	3.80	186.26	183.79	121.55	163.49	183.79	189.35	162.00	179.60
USA (520)	187.93	+0.9	186.19	123.20	164.30	187.93	+0.9	2.72	186.21	183.74	121.53	163.47	186.21	187.93	175.38	167.57
Europe (750)	154.76	+0.4	153.32	101.45	135.30	147.72	+0.3	3.03	154.14	152.10	100.60	135.32	147.32	156.45	133.92	144.98
Nordic (114)	175.88	-0.7	174.25	115.29	153.76	184.02	-1.0	1.35	177.08	174.73	115.57	155.45	185.92	183.23	142.13	159.53
Pacific Basin (714)	161.09	-0.6	159.59	105.60	140.83	110.26	-0.2	1.07	162.02	159.87	105.75	142.23	110.46	168.80	105.89	106.87
Euro-Pacific (1464)	158.38	-0.2	156.91	103.81	138.45	125.36	+0.0	1.85	158.67	156.57	103.55	139.28	125.37	162.72	117.26	122.28
North America (628)	184.20	+0.9	182.49	120.76	161.06	183.45	+0.9	2.73	182.53	180.11	119.14	160.26	181.80	184.20	171.51	164.96
Europe Ex. UK (532)	135.06	+0.8	133.80	88.55	118.09	126.45	+0.3	2.51	134.03	132.26	87.50	117.69	126.11	135.92	112.51	123.97
Pacific Ex. Japan (244)	199.21	-0.7	197.36	130.61	174.17	184.78	-0.6	3.03	200.57	197.91	130.92	176.09	185.89	202.66	152.70	150.86
World Ex. US (1651)	158.78	-0.1	157.30	104.09	138.81	127.56	+0.0	1.86	159.00	156.90	103.78	139.59	127.53	162.78	118.51	123.79
World Ex. UK (1953)	165.70	+0.3	164.16	108.62	144.87	142.50	+0.4	2.02	166.21	163.02	107.83	145.04	141.97	167.77	134.22	133.64
World Ex. So. Af. (2111)	167.40	+0.3	165.84	109.74	146.35	145.77	+0.4	2.19	166.97	164.76	108.98	146.58	145.24	169.60	137.29	133.64
World Ex. Japan (1701)	174.95	+0.6	173.33	114.69	152.97	170.83	+0.6	2.83	173.86	171.55	113.48	152.64	169.84	174.95	157.47	157.49
The World Index (2171)	167.49	+0.3	165.94	109.80	146.44	148.26	+0.4	2.19	167.07	164.85	109.04	146.67	145.74	169.68	137.32	137.61

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